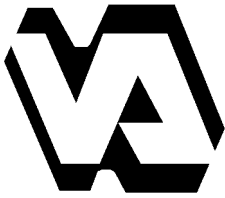


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Benefits Programs

Disability Compensation

This appropriation provides for the payment of compensation benefits to disabled veterans, certain survivors, and eligible dependent children.

Compensation benefits are an entitlement paid either as a disability or a survivorship benefit. Compensation is payable to living veterans who have suffered impairment of earning power from service-connected disabilities. Eligibility criteria for veterans are based upon disabilities either incurred in or aggravated during active military service. The amount of the compensation to the veteran is based upon the disability or combination of disabilities and their impact on earning capacity. Survivors are eligible for benefits if the veteran died while on active duty, or died as a result of disabilities incurred while on active duty. This benefit is intended to compensate for the loss of family income. A clothing allowance is also provided for service-connected veterans who use a prescribed medication for a service-connected skin condition that stains their clothing or use a prosthetic or orthopedic appliance, which tends to wear out or tear the clothing of such veteran.

Program Description

Disability Compensation is provided to veterans for disabilities incurred or aggravated while on active duty. The amount of compensation is based on the degree of disability. Several ancillary benefits are also available to certain severely disabled veterans.

Dependency and Indemnity Compensation (DIC) is provided for surviving spouses, dependent children, and dependent parents of veterans who died of service-connected causes or while on active duty on or after January 1, 1957. Prior to January 1, 1957, death compensation was the benefit payable to survivors.

Spina Bifida Monthly Allowance under 38 U.S.C. 1805 is provided for children born with spina bifida who are children of individuals who served in the Republic of Vietnam during the Vietnam era or served in or near the demilitarized zone in Korea from September 1, 1967 to August 31, 1971. Payment is made at one of three levels and is based on degree of disability suffered by the child.

Children of Women Vietnam Veterans Born with Certain Defects provides a monetary allowance, healthcare, and vocational training benefits to eligible children born to women who served in the Republic of Vietnam during the period beginning on February 28, 1961, and ending May 7, 1975, if they suffer from certain covered birth defects. VA identifies the birth defects as those that are associated with the service of the mother in Vietnam and resulted in permanent physical or mental disability.

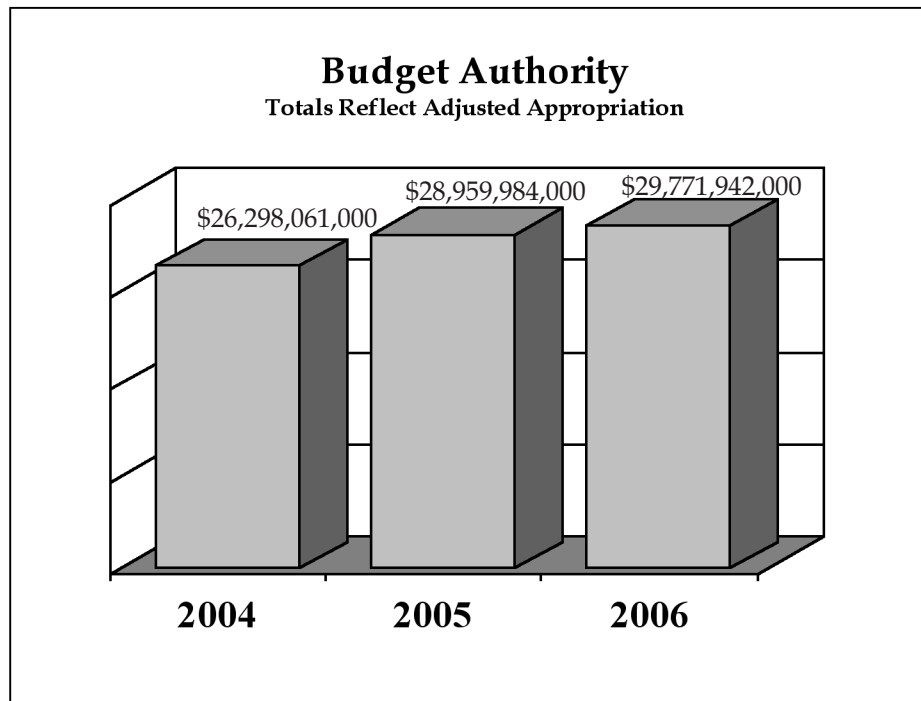
Clothing Allowance may be paid to each veteran who uses prescribed medication for a service-connected skin condition or wears or uses a prosthetic or orthopedic appliance (including a wheelchair), which tends to stain or tear the clothing.

Special Allowance for Dependents is an allowance payable to dependents of certain veterans who died after December 31, 1956, but who were not fully and currently insured under the Social Security Act.

Equal Access to Justice Act (EAJA) are payments of awards resulting from the successful challenge of agency policies, procedures, and regulations before the U.S. Court of Veterans Appeals (COVA) as authorized by the "Equal Access to Justice Act," (EAJA) as amended by section 506 of Public Law 102572, the "Federal Courts Administration Act of 1992."

Medical Exams is a pilot program authorizing VA to contract out medical examinations to determine service-connected disabilities of veterans who are potential applicants of compensation benefits.

OBRA Payments to VBA and VHA, under current law, allow the VA to perform income verification matches for certain beneficiaries. These payments are paid to the Internal Revenue Service and Social Security Administration for use of their data.



Summary of Budget Request

Budget authority of \$29.8 billion is estimated for 2006 to support the benefits programs funded by the Disability Compensation Benefit appropriation account.

In addition to benefits provided to 2,688,248 veterans, 335,081 survivors, and 1,219 children, this account provides a clothing allowance to 85,273 veterans; 1,363 Equal Access to Justice Act (EAJA) payments; and continued funding for the medical exam pilot and payments for discretionary expenses associated with OBRA.

In 2006, compensation obligations are estimated to surpass the 2005 level by more than \$1.6 billion. This increase is primarily due to changes in caseload and average payment for veterans and survivors which will raise program obligations by nearly \$1 billion. In addition, the impact of an anticipated 2.3 percent COLA effective December 1, 2005 (\$398.6 million) and the additional two months impact of the 2.7 percent 2004 COLA (\$79.7million), will increase costs by \$478.3 million. The 2004 Defense Authorization Act (PL 108-354) increases obligations by an additional \$100 million.

Disability Compensation

Summary of Mandatory Appropriation Highlights

(dollars in thousands)

		2005			
Mandatory	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase(+) Decrease(-)
Veterans:					
Cases	2,518,464	2,607,295	2,593,783	2,688,248	+94,465
Average Payment	\$8,863	\$9,561	\$9,491	\$9,677	+\$186
Obligations	\$22,322,160	\$24,929,325	\$24,618,886	\$26,015,344	+\$1,396,458
Survivors:					
Cases	315,800	328,291	327,735	335,081	+7,346
Average Payment	\$12,690	\$13,153	\$13,027	\$13,322	+\$295
Obligations	\$4,007,526	\$4,318,035	\$4,269,497	\$4,464,110	+\$194,613
Total:					
Cases	2,834,264	2,935,586	2,921,518	3,023,329	+101,811
Average Payment	\$9,290	\$9,963	\$9,888	\$10,081	+\$193
Obligations	\$26,329,686	\$29,247,360	\$28,888,383	\$30,479,454	+\$1,591,071
Other Obligations:					
Special Benefits for Children	\$16,100	\$17,477	\$17,179	\$17,954	+\$775
Clothing Allowance	49,209	51,327	51,074	53,715	+2,641
REPS	7,494	7,468	7,258	5,504	-1,754
Special Allowance for Dependents	310	298	285	257	-28
EAJA	4,634	6,396	6,031	6,170	+139
Medical Exam Pilot Program	63,187	60,820	67,449	80,750	+13,301
OBRA Payments ¹	1,354	1,615	1,615	1,656	+41
Total Other Benefit Obligation	\$142,288	\$145,401	\$150,891	\$166,006	+\$15,115
Total Obligations: ²	\$26,471,974	\$29,392,761	\$29,039,274	\$30,645,460	+\$1,606,186
Funding:					
Offsetting Collections	\$-8,108	\$-7,468	\$-7,258	\$0	+\$7,258
Unobligated balance expiring (Reps)	\$614	\$0	\$0	\$0	\$0
Unobligated balances (SOY)	\$-1,111,969	\$-147,165	\$-945,550	\$-873,518	+\$72,032
Unobligated balances (EOY)	\$945,550	\$0	\$873,518	\$0	\$-873,518
Budget Authority (net)					
Appropriation	\$26,301,061	\$29,289,028	\$29,245,460	\$29,771,942	+\$526,482
Total Mandatory:					
Budget Authority (net)	\$26,298,061	\$29,289,028	\$28,959,984	\$29,771,942	+\$811,958
Outlays (net)	\$26,296,762	\$31,607,830	\$31,152,470	\$30,643,221	\$-509,249
Other Workload:					
Special Benefits for Children Cases	1,147	1,062	1,194	1,219	+25
Clothing Allowance Recipients	82,074	84,398	82,945	85,273	+2,328
REPS Trainees	306	372	367	269	-98
EAJA Settlements	1,097	1,495	1,363	1,363	0
Total Other Workload:	84,264	87,327	85,869	88,124	+2,255

² Dollars may not add due to rounding in this and subsequent charts.

Proposed Legislation

A 2.3 Percent Rate Increase for Compensation Benefits in 2006

Legislation is proposed to provide a 2.3 percent rate increase to all Compensation beneficiaries, including DIC spouses and children, effective December 1, 2005. The 2.3 percent increase is the expected increase in the Consumer Price Index and it is the same increase estimated for Social Security benefits. The cost of this increase in 2006 is estimated to be \$478.3 million and is included in the baseline submission.

Summary of Budget Request-Discretionary

Budget authority of \$751 million (including \$50 million transferred from VHA) is requested to fund the discretionary portion of the Disability Compensation program. The request will provide sufficient funding for the administrative expenses of 7,628 FTE (including 169 FTE supporting Burial), the January 1, 2006 2.3 percent pay raise, associated level of fringe benefits, inflationary expenses, and capital obligations associated with our construction programs. The budget authority request provides \$4.9 million to fund the Skill Certification and other initiatives, which will improve the overall quality and timeliness of program services to our veterans and their families.

Disability Compensation

Summary of Discretionary Appropriation Highlights

(dollars in thousands)

		2005			
Discretionary	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase(+) Decrease(-)
FTE					
Direct	6,211	6,040	6,330	6,330	0
Information Technology	377	352	352	352	0
Management Direction and Support ^{1/}	806	665	665	777	0
Compensation FTE	7,394	7,057	7,347	7,459	112
Burial FTE (reimbursable)	174	168	168	169	+1
Total FTE	7,568	7,225	7,515	7,628	113
Obligations:					
Personal Services	\$552,726	\$568,093	\$584,598	\$625,146	\$+40,548
Travel	4,187	5,503	5,503	4,408	-1,095
Interagency Motor Pool	1,295	1,254	1,254	1,273	+19
Transportation of Things	1,454	1,431	1,431	1,460	+29
Rent, Communications & Utilities	85,032	67,744	87,744	94,478	+6,734
Printing	1,554	1,356	1,356	1,376	+20
Other Services ^{2/}	120,898	92,264	142,767	98,439	-44,328
Supplies and Materials	4,380	4,326	4,326	4,391	+65
Equipment	4,547	9,270	9,270	5,228	-4,042
Insurance Claims	46	45	45	36	-9
Total Administrative Obligations	\$776,119	\$751,286	\$838,294	\$836,235	\$-2,059
Capital Obligations:					
Major Construction	\$0	\$100	\$2,252	\$0	\$-2,252
Minor Construction	\$13,108	\$12,247	\$12,588	\$11,892	\$-696
Total Discretionary Obligations	\$789,227	\$763,633	\$853,134	\$848,127	\$-5,007
Reimbursements	\$-77,959	\$-77,541	\$-77,441	\$-96,783	\$-19,342
Unobligated balance SOY	\$-40,337	\$-32,388	\$-53,785	\$0	\$+53,785
Unobligated balance EOY	\$53,785	\$3,920	\$0	\$0	\$0
Unobligated balance expiring	\$3,834	\$0	\$0	\$0	\$0
Transfers in from other accounts ^{3/}	\$-63,396	\$0	\$0	\$0	\$0
Other adjustments	-\$5,523	\$0	\$0	\$0	\$0
Total Appropriation	\$659,631	\$657,624	\$652,908	\$701,344	\$+29,436
Transfers from VHA ^{4/}	\$0	\$0	\$69,000	\$50,000	\$-19,000
Appropriation Adjusted	\$659,631	\$657,624	\$721,908	\$751,344	\$+29,436
Outlays (net)	\$668,319	\$668,301	\$716,436	\$728,387	\$+11,951

Note: Dollars may not add due to rounding in this and subsequent charts.

^{1/} The 2006 column reflects a redistribution of Management Support FTE to correct prior imbalance among business lines.

^{2/} 2005 Includes \$545 thousand from P.L.108-324 Military Construction Appropriations Emergency Hurricane Supplemental Act of 2005.

^{3/} P.L. 108-11, the Emergency Wartime Supplemental Appropriations Act, made available \$100 million of no-year funds to be used at the Secretary's discretion for veterans' needs associated with veterans returning from the Persian Gulf War Combat arena. The above chart reflects \$34,549 million transferred to VBA in 2003 and \$62,896 million requested for transfer in 2004. Because of receiving the 2003 funding late in the fiscal year, \$67,814 was made available in 2004 obligations, and \$29,631 million will be made available in 2005 for disability compensation obligations

^{4/} In the 2005 Current Estimate, \$69 million is transferred from VHA in accordance with PL 108-324, for costs associated with processing claims subject to the determination of The Secretary Veterans Affairs; \$50 million is transferred from VHA in 2006. These amounts are included in discretionary obligations.

Pensions

This appropriation provides for the payment of pensions benefits to wartime veterans rated permanently and totally disabled with limited income and their survivors.

Pensions is a needs based benefit provided to wartime veterans who have been rated permanently and totally disabled, as a result of a non-service-connected disability. Upon the death of the wartime veteran, the surviving spouse and children are eligible for a pension. There are no disability requirements for survivors. The payable amount is determined by the annual countable income, and the number of dependents of the recipient.

Program Description

Nonservice-Connected Disability Pension is provided for veterans with non-service-connected disabilities who served in time of war. The veterans must be permanently and totally disabled or must have attained the age of 65 and must meet specific income limitations.

Medical Exams is a pilot program which authorizes VA to contract out medical examinations to determine non-service connected disabilities of veterans who are potential applicants of pension benefits.

Death Pension is provided for surviving spouses and children of wartime veterans who died of nonservice-connected causes, subject to specific income limitations.

Pension payments are made under one of three programs:

- **Old Law pension** is payable if entitlement was established prior to July 1, 1960. The rate payable to a veteran or survivor does not vary with differences in income so long as countable income does not exceed the applicable income limitation.
- **Prior Law pension (Section 306)** is payable if entitlement was established prior to January 1, 1979. Prior to that date, the rate payable to a veteran or survivor varied depending upon the amount by which countable income exceeds various levels, with reductions of a few cents of pension for each dollar of added income. Effective January 1, 1979, amounts of Prior Law pension have been frozen at the rates to which eligible veterans were entitled and remain payable as long as countable income does not exceed the applicable income limit and dependency does not decrease.

- **Improved Law program (Public Law 95588)** is payable if entitlement was established post January 1, 1979. In determining annual income under this law, all payments shall be included, except those exclusions specifically provided for by law. Payments for Improved Law program beneficiaries are computed by reducing, dollar-for-dollar, benefit levels specified in the act by the income of the beneficiary. The Improved Law program provides the same automatic annual percentage increase at the same time as the Social Security increase. Pension payments are not reduced solely as a result of Social Security payment increases.

Pensions Program Limits

The cost-of-living increase for Improved Law beneficiaries, which is automatically tied to that afforded to Social Security beneficiaries, is estimated to increase 2006 rates and income limitations by 2.3 percent. Rate increases afforded by COLAs are responsible for most of the average cost increases. Since rates for pensioners covered by earlier programs are frozen, variations in average benefit payments for these beneficiaries are attributed to changes in dependency, qualifying income, health, or other eligibility criteria. The current annual income standards are shown below:

Veterans		Survivors	
Without dependents	\$10,162	Spouse without dependent	\$6,814
With one dependent	\$13,309	Spouse with one dependent	\$8,921
Each additional dependent	\$ 1,734	Each additional dependent	\$1,734

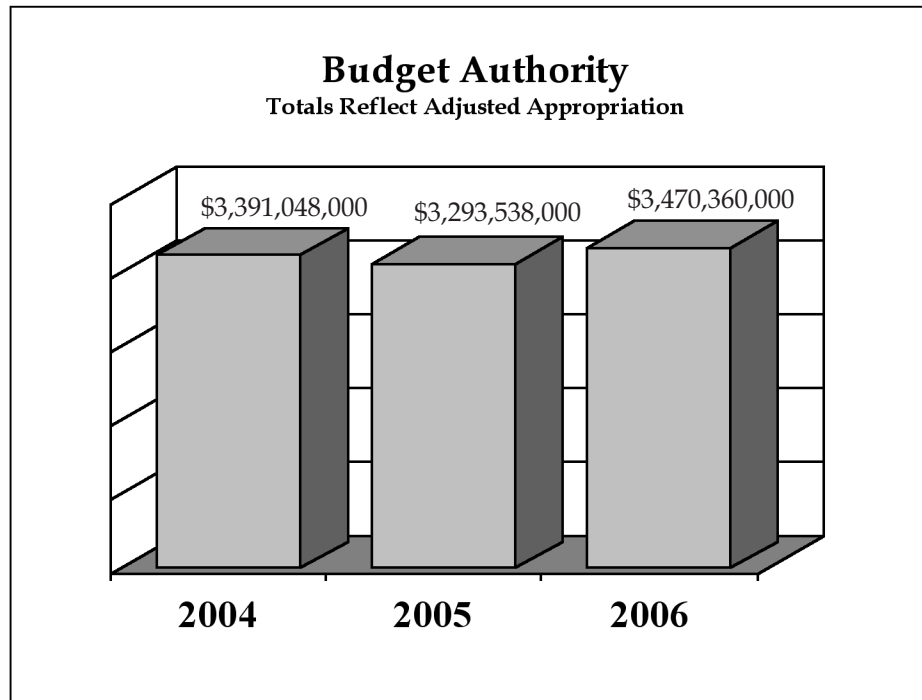
If veterans are entitled to Improved Law pension based on service during the Mexican Border Period or World War I, then \$2,305 is added to their income standard. Veterans and surviving spouses with entitlement to housebound, or aid and attendance have higher income standards due to the severity of their disability.

Beneficiaries Receiving Pensions

Caseload for both veterans and survivors is expected to decline through 2006. These estimates, based on current trends are distributed as follows: WWI & Prior (11,233) WWII (247,648), Korean (96,859), Vietnam (170,163) and Gulf War (247,648).

In 2006, pension benefits will be made to an estimated 532,413 beneficiaries. About 90 percent of these cases receive benefits under the Improved Law program, which accounts for almost 98 percent of the program's cost.

OBRA Payments to VBA and VHA, under current law, allow the VA to perform income verification matches for certain beneficiaries. These payments are paid to the Internal Revenue Service and Social Security Administration for use of their data.



Summary of Budget Request - Mandatory

Budget authority of \$3.5 billion is estimated for 2006 to support the programs funded by the Pensions appropriation account. The Pension program will provide benefits to an estimated 532,414 beneficiaries at an average annual payment of \$6,475. This account will also provide funding for the administrative expenses associated with OBRA requirements.

Pensions
Summary of Mandatory
Appropriation Highlights
(dollars in thousands)

		2005			
	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase(+) / Decrease(-)
<i>Mandatory</i>					
Veterans:					
Cases	342,861	343,168	335,778	329,730	-6,048
Average Payment	\$7,594	\$7,647	\$7,896	\$8,196	+\$300
Obligations	\$2,603,539	\$2,624,087	\$2,651,435	\$2,702,399	+\$50,964
Survivors:					
Cases	218,520	207,688	210,452	202,683	-7,769
Average Payment	\$3,305	\$3,433	\$3,499	\$3,677	+\$178
Obligations	\$722,175	\$712,893	\$736,397	\$745,227	+\$8,830
Total:					
Cases	561,381	550,856	546,230	532,413	-13,817
Average Payment	\$5,924	\$6,058	\$6,202	\$6,475	+\$273
Obligations	\$3,325,714	\$3,336,980	\$3,387,832	\$3,447,626	+\$59,794
Payments for Discretionary Expenses					
OBRA Payment to VBA ¹	\$6,612	\$7,885	\$7,885	\$8,084	+\$199
OBRA Payment to VHA	\$9,090	\$11,203	\$11,203	\$13,751	+\$2,548
Contract Medical Exam Pilot Program	\$833	\$677	\$751	\$899	+\$148
Total Obligations ²	\$3,342,249	\$3,356,745	\$3,407,671	\$3,470,360	+\$62,689
Funding:					
Unobligated balances (SOY)	\$-65,334	\$-163,141	\$-114,133	\$0	+\$114,133
Unobligated balances (EOY)	\$114,133	\$0	\$0	\$0	\$0
Total Mandatory:					
Budget Authority (net)	\$3,391,048	\$3,193,604	\$3,293,538	\$3,470,360	+\$+176,822
Outlays (net)	\$3,334,070	\$3,618,957	\$3,673,784	\$3,470,309	\$-203,475

² Dollars may not add due to rounding in this and subsequent charts.

Summary of Budget Request-Discretionary

Budget authority of \$147.7 million is requested to fund the discretionary portion of the Pensions program. The request will provide sufficient funding for the administrative expenses of 1,459 FTE, the January 1, 2006 pay raise currently estimated at 2.3 percent and the associated level of fringe benefits, inflationary expenses, and capital obligations associated with our construction programs. The budget request will also provide \$974 thousand in funding for VBA-Wide initiatives, which will improve the overall quality and timeliness of program services to our veterans and their families.

Pensions Summary of Discretionary Appropriation Highlights (dollars in thousands)					
	2005				
Discretionary	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase(+) Decrease(-)
FTE					
Direct	1,287	1,230	1,230	1,230	0
Information Technology	79	78	78	78	0
Management Direction and Support ^{1/}	169	136	136	151	+15
Total FTE	1,535	1,444	1,444	1,459	+15
Obligations:					
Personal Services	\$109,931	\$112,703	\$109,761	\$117,243	\$+7,482
Travel	793	1,192	1,192	976	-216
Interagency Motor Pool	221	272	272	276	+4
Transportation of Things	246	365	365	391	+26
Rent, Communications & Utilities	13,247	16,879	16,879	18,709	+1,830
Printing	263	389	389	395	+6
Other Services	23,201	10,093	11,944	13,352	+1,408
Supplies and Materials	772	957	957	971	+14
Equipment	852	2,051	2,051	1,312	-739
Insurance Claims	8	9	9	7	-2
Total Administrative Obligations	\$149,534	\$144,909	\$143,819	\$153,632	\$9,813
Capital Obligations:					
Major Construction	\$240	\$0	\$568	\$0	\$-568
Minor Construction	\$3,517	\$3,083	\$3,155	\$3,093	\$-62
Total Discretionary Obligations	\$153,291	\$147,992	\$147,542	\$156,725	\$+9,183
Reimbursements	\$-7,307	-\$8,556	\$-8,557	\$-8,982	\$-425
Unobligated balance SOY	\$-3,671	\$-1,080	\$-685	\$0	\$+685
Unobligated balance EOY	\$+685	\$+1,059	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0	\$0
Other adjustments	\$0	\$0	\$0	\$0	\$0
Total Appropriation	\$142,998	\$139,415	\$138,300	\$147,743	\$+9,443
Transfers from VHA	\$0	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$142,998	\$139,415	\$138,300	\$147,743	\$+9,443
Outlays (net)	\$135,317	\$138,395	\$131,885	\$143,140	\$+11,255

^{1/} The 2006 column reflects a redistribution of management support FTE to correct a prior imbalance among business lines.

Education

This appropriation provides for the payment of readjustment benefits for eligible veterans and servicepersons and for eligible dependents of: (a) those veterans who either died from service-connected causes or have a total and permanent rated service-connected disability; and (b) servicepersons who were prisoners of war or missing in action pursuant to 38 U.S.C. chapter 35.

Public Laws 98-525 and 100-48 provide educational assistance to veterans whose initial entry on active duty takes place after July 1, 1985. These benefits are included in the All-volunteer force educational assistance program (Montgomery GI Bill) authorized under 38 U.S.C. chapter 30. Basic benefits were funded through appropriations made to the Readjustment Benefits appropriation (now the Education business line). Supplemental benefits are also provided to certain veterans. These benefits were funded through transfers from the Department of Defense. This law also provides education assistance to certain members of the Selected Reserve. Transfers from the Department of Defense and Department of Homeland Security fund reservists' training.

Public Law 101-510, enacted on November 5, 1990, allows servicepersons enrolled or eligible to reenroll in the Post-Vietnam Era Veteran Education Program (VEAP), who are involuntarily separated from the service on or after February 3, 1991, an opportunity to make an irrevocable election to receive assistance under the Montgomery GI Bill (MGIB) educational assistance program in lieu of VEAP. Effective October 23, 1992, Public Law 102-484, "National Defense Authorization Act for Fiscal Year 1993", extended the same opportunity to certain servicepersons who voluntarily separate from the military on or after December 5, 1991. Public Law 104-275, "The Veterans Benefits Improvement Act of 1996," and Public Law 106-419, "The Veterans Benefits and Health Care Improvement Act of 2000" provide chapter 32 (and section 903) servicepersons the opportunity to make an irrevocable election to enroll in the MGIB program. These laws provide that the serviceperson must have been a VEAP participant on October 9, 1996. Individuals who make an election under Public Law 104-275 will be disenrolled from the VEAP program and required to pay \$1,200 to become eligible for the MGIB program. Individuals who make an election under Public Law 106-419 will be disenrolled from the VEAP program and required to pay \$2,700 into the Department of Treasury's GI Bill receipt account to establish eligibility under the MGIB program. The enactment of Public Law 108-454 sections 103 and 106 extended educational assistances for VEAP and MGIB participants. Section 103 of Public Law 108-454 increases benefits for individuals pursuing apprenticeship training beginning October 1, 2005, and before January 1, 2008. Starting in 2005, section 106 of Public Law 108-454 makes educational benefits available to pay for the national admissions exams and national exams for credit at institutions of higher education.

Public Law 108-454 section 108 established a pilot program to provide on the job benefits to train Department of Veterans Affairs' claims adjudicators, increasing costs by \$181 thousand in 2005. Active duty members' spouses and dependents utilizing the educational assistance program (chapter 35) are granted a ten-year extension to their delimiting period in the event of the member's death under Public Law 108-454.

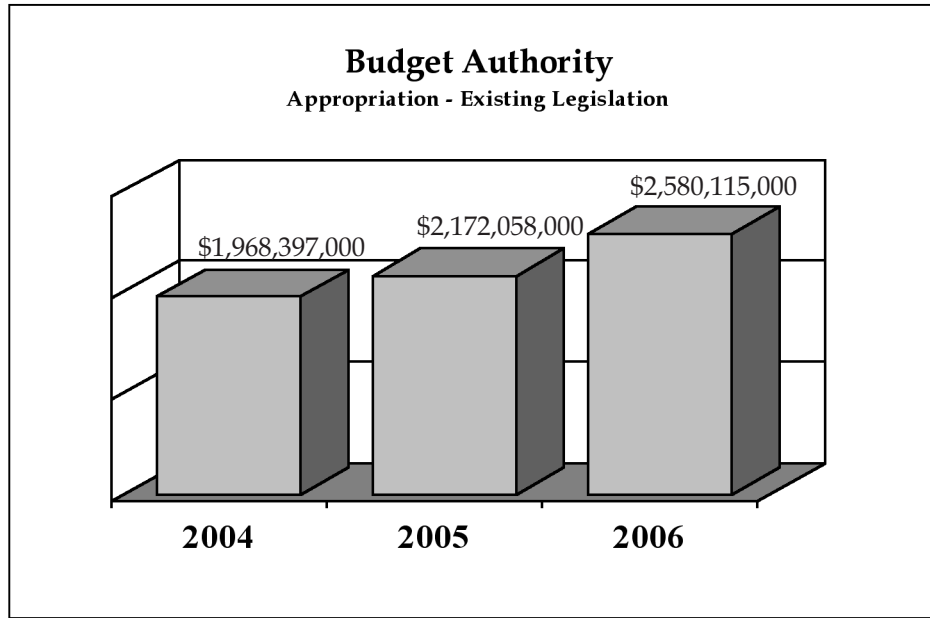
Effective October 1, 2004, the basic monthly benefit rate for full time trainees in chapters 30 and 35 increased to \$1,004 and \$803 respectively. Subsequent annual rate increases will be determined by the Consumer Price Index (CPI) adjustment and rounded to the nearest dollar.

The National Defense Authorization Act, Public Law 108-375, established a new program, Chapter 1607, providing educational assistance to members of the reserve components called or ordered to active service. VBA will administer the benefits of the new program and receive reimbursement from DOD. Approximately 40 percent, an estimated 47,804 trainees, from Chapter 1606 will elect the 1607 program established under Public Law 108-375 and receive a higher average benefit rate as opposed to remaining in the 1606 program. An influx of 7,057 new trainees joining the chapter 1607 program will add to the growing number of Reservists using their education benefits. Additionally, accelerated payments (lump sum payments of 60 percent for tuition and fees of certain high cost and high technology education and training programs), combined with other benefit enhancements are more appealing and advantageous, contributing to the increase in trainees.

Work-study payments are provided to eligible persons pursuing a program of rehabilitation, education, or training under chapters 30, 31, 32, and 35 of title 38, U.S.C. and chapter 1606 of title 10.

Also funded under this program are payments to State Approving Agencies (SAA) and reporting fees. SAA payments provide for the reimbursement of the costs associated with inspecting, approving, and supervising programs of education and training offered by educational institutions in which veterans, dependents, and reservists are enrolled.

Public Law 105-368 transferred the reporting fee payments from the General Operating Expenses (GOE) Appropriation to the Readjustment Benefits Appropriation. VA must base reporting fee payments on the number of veterans enrolled during a calendar year. Previous payments were based on veterans in training on October 31. Reporting fees are paid to education and training institutions to help defray the costs of certifying education enrollment.



Summary of Budget Request-Mandatory

Budget authority of \$2.6 billion, when combined with \$428.2 million in offsetting collections from Departments of Defense (\$427.3 million) and Homeland Security (\$860 thousand), is sufficient to provide full funding for the estimated Education Benefits obligations of \$3.0 billion.

Education
Summary of Mandatory Appropriation Highlights
(dollars in thousands)

		2005			
	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase (+) Decrease(-)
Mandatory					
Obligations:					
Veterans/servicemembers	\$1,768,254	\$1,831,048	\$1,914,595	\$2,069,475	\$+154,880
Ch 30 & 35 - PL 108-454 section 106	0	0	11,995	12,423	+428
Reservists (1606)	174,528	204,429	119,716	119,349	-367
Reservists (1607)	0	0	164,943	197,394	+32,451
Dependents' Education and Training	332,140	389,658	404,751	442,505	+37,754
Specially Adapted Housing Grants	27,954	30,750	42,300	42,300	0
Automobile Grants	14,666	17,600	17,400	17,400	0
Adaptive Equipment	33,013	33,300	34,800	36,700	+1,900
Tuition Assistance	16,854	14,280	17,775	18,291	+516
National Call to Service	0	1,600	170	680	+510
Licensing and certification tests	1,819	4,815	2,100	2,425	+325
Work-Study 1/	21,897	23,915	23,788	24,607	+819
State approving agencies	18,000	18,000	18,000	19,000	+1,000
Reporting fees	3,164	3,240	3,185	3,334	+149
Printing/L&C Programming/PL108-454	1,358	1,904	8,017	2,390	-5,627
Education Loan Modification	127	0	0	0	0
Total Mandatory Obligations	\$2,413,774	\$2,574,539	\$2,783,535	\$3,008,274	\$+224,739
Funding:					
Unobligated balance (SOY)	\$-400,208	\$-268,637	\$-226,649	\$0	\$+226,649
Unobligated balance (EOY)	\$226,649	\$246	\$0	\$0	\$0
Budget authority (gross)	\$2,240,215	\$2,306,148	\$2,556,885	\$3,008,274	\$+451,389
Offsetting collections	\$-271,434	\$-315,119	\$-384,827	\$-428,158	\$-43,331
Offsetting collections from Educ. Loan	\$-256	\$0	\$0	\$0	\$0
Budget authority (net)	\$1,968,524	\$1,991,029	\$2,172,058	\$2,580,115	\$+408,057
Appropriation	1,968,397	1,991,029	1,991,028	2,580,115	+589,087
Transfer from Comp	0	0	181,030	0	-181,030
Appropriation adjusted	1,968,397	1,991,029	2,172,058	2,580,115	+408,057
Appropriation (permanent, indefinite)	127	0	0	0	0
Outlays (net)	\$2,133,518	\$2,257,082	\$2,451,184	\$2,570,149	\$+118,965
Education Loan Liquidating Account:					
Obligations	\$256	\$0	\$0	\$0	\$0
Unobligated balance (SOY)	\$-109	\$0	\$0	\$0	\$0
Unobligated balance (EOY)	\$0	\$0	\$0	\$0	\$0
Offsetting Collections	\$-147	\$0	\$0	\$0	\$0
Budget Authority	\$0	\$0	\$0	\$0	\$0
Outlays (Net)	\$109	\$0	\$0	\$0	\$0
Total Mandatory Obligations	\$2,414,031	\$2,574,539	\$2,783,535	\$3,008,274	\$+224,739
Budget authority (net)	\$1,968,524	\$1,991,029	\$2,172,058	\$2,580,115	\$+408,057
Outlays (net)	\$2,133,627	\$2,257,082	\$2,451,184	\$2,570,149	\$+118,965

1/ Includes chapter 1606 work -study

Note: Dollars may not add due to rounding in this and subsequent charts.

Education
Summary of Mandatory Appropriation Highlights (cont'd)
(dollars in thousands)

		2005			
	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase(+) Decrease(-)
Workload Data and Other Items					
Workload:					
Veterans/ servicemembers	332,031	327,736	351,450	367,658	+16,208
Reservists (1606)	89,136	107,738	59,934	57,725	-2,209
Reservists (1607)	0	0	46,346	54,103	+7,757
Dependents' Education and Training	69,016	73,352	75,072	80,094	+5,022
Specially Adapted Housing Grants	846	615	846	846	0
Automobile Grants	1,585	1,600	1,585	1,585	0
Adaptive Equipment	8,133	7,968	8,133	8,133	0
National Call to Service	0	160	50	200	+150
Tuition Assistance	21,277	25,000	22,000	22,000	0
Licensing and certification tests	6,574	15,000	6,424	6,745	+321
Work- study contracts ^{1/}	14,815	18,400	14,855	14,855	0
Average cost:					
Veterans/ servicemembers	\$5,326	\$5,567	\$5,421	\$5,603	\$+182
Reservists (1606)	\$1,958	\$1,897	\$1,997	\$2,068	\$+71
Reservists (1607)	\$0	\$0	\$3,559	\$3,648	\$+89
Dependents' Education and Training	\$4,813	\$5,312	\$5,391	\$5,525	\$+134
Specially Adapted Housing Grants	\$33,043	\$50,000	\$50,000	\$50,000	0
Automobile Grants	\$9,253	\$11,000	\$11,000	\$11,000	0
Adaptive Equipment	\$4,059	\$4,185	\$4,278	\$4,510	\$+232
National Call to Service	\$0	\$10,000	\$3,400	\$3,400	0
Costs:					
Veterans/ servicemembers	\$1,768,253	\$1,824,535	\$1,905,181	\$2,059,967	\$+154,786
Reservists (1606) ^{2/}	\$174,528	\$204,429	\$119,716	\$119,349	\$-367
Reservists (1607)	\$0	\$0	\$164,943	\$197,394	\$+32,451
Dependents' Education and Training	\$332,140	\$389,658	\$404,751	\$442,505	\$+37,754
Specially Adapted Housing	\$27,954	\$30,750	\$42,300	\$42,300	0
Automobile Grants	\$14,666	\$17,600	\$17,400	\$17,400	0
Adaptive Equipment	\$33,013	\$33,300	\$34,800	\$36,700	\$+1,900
National Call to Service	\$0	\$1,600	\$170	\$680	\$+510

Note: Dollars may not add due to rounding in this and subsequent charts.

^{1/} Includes chapter 1606 work-study reimbursement.

^{2/} Work-study costs not included.

Post-Vietnam Era Veterans Education Program
Fund Highlights
(dollars in thousands)

	2004 Actual	2005		2006 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Obligations:					
Training	\$1,044	\$1,930	\$968	\$905	\$-63
Public Law 108-454	0	0	107	6,548	+6,441
Section 901 Training PL 96-342	317	180	300	280	-20
Disenrollments	2,119	3,240	2,020	1,921	-99
Total Obligations	\$3,480	\$5,350	\$3,395	\$9,654	+\$6,259
Budget Authority (trust fund, indefinite)	\$1,024	\$1,912	\$1,029	\$953	\$-76
Outlays	\$3,560	\$5,450	\$2,821	\$9,140	+\$6,319
Unobligated balance, start of year	\$75,949	\$67,354	\$73,493	\$71,127	\$-2,366
Unobligated balance, end of year	\$73,493	\$63,916	\$71,127	\$62,426	\$-8,701
Workload					
Trainee	796	700	700	650	-50
Public Law 108-454 Trainees	0	0	12	685	+673
Section 901 Trainees	32	24	30	28	-2
Participants, end of year	197,774	198,046	195,738	193,957	-1,781
Disenrollments	1,853	400	1,600	1,400	-200

Summary of Budget Request-Discretionary

Budget authority of \$100.3 million is needed to fund the discretionary portion of the Education program in 2006. The funding will support 874 FTE, the January 1, 2006, 2.3 percent pay raise, the associated level of fringe benefits and health costs, inflationary expenses, and capital obligations associated with our construction programs. The request will also provide funding for The Expert Education System (TEES) initiative, an effort to migrate all claims processing work from the legacy system to a new, corporate environment. This new corporate IT platform is the first important step to further automate education claims processing, which will improve the overall quality and timeliness of program services to our veterans and their families.

Education
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

		2005			
Discretionary	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase(+) Decrease(-)
FTE					
Direct	673	737	737	717	-20
Information Technology	72	69	69	69	0
Management Direction and Support ^{1/}	96	82	82	88	+6
Total FTE	841	888	888	874	-14
Obligations:					
Personal Services ^{2/}	\$57,278	\$63,646	\$64,601	\$66,895	\$+2,294
Travel	623	2,265	2,265	1,152	-1,113
Interagency Motor Pool	138	383	383	267	-116
Transportation of Things	152	262	262	389	+127
Rent, Communications & Utilities	8,956	11,537	11,537	12,002	+465
Printing	181	1,162	1,162	1,179	+17
Other Services	8,993	8,879	15,219	18,321	+3,102
Supplies and Materials	570	932	932	946	+14
Equipment	534	3,222	3,222	800	-2,422
Insurance Claims	5	7	7	4	-3
Total Administrative Obligations	\$77,429	\$92,296	\$99,590	\$101,955	\$+2,365
Capital Obligations:					
Major Construction	\$0	\$0	\$0	\$0	\$0
Minor Construction	\$757	\$855	\$1,551	\$775	\$-776
Total Discretionary Obligations	\$78,186	\$93,151	\$101,141	\$102,730	\$+1,589
Reimbursements	\$-1,358	\$-1,904	\$-7,527	\$-2,390	\$+5,137
Unobligated SOY	\$-4,031	\$-789	\$-3,317	\$-134	\$+3,183
Unobligated EOY	\$3,317	\$702	\$134	\$134	\$0
Unobligated balance expiring	\$6	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0	\$0
Other Adjustments	\$0	\$0	\$0	\$0	\$0
Total Appropriation	\$76,120	\$91,160	\$90,431	\$100,340	\$+9,909
Transfers from VHA	\$0	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$76,120	\$91,160	\$90,431	\$100,340	\$+9,909
Outlays (net)	\$71,705	\$87,645	\$85,932	\$96,333	\$+10,401
Off-Budget					
Education Loan Financing Account					
Direct Loans:					
Obligations	\$69	\$0	\$0	\$0	\$0
Collections	\$0	\$0	\$0	\$0	\$0
Financing Disbursements (Net)	\$0	\$0	\$0	\$0	\$0

Note: Dollars may not add due to rounding in this and subsequent charts.

^{1/} 2006 column reflects a redistribution of Management Support FTE to correct prior imbalance among business lines.

^{2/} Payroll costs of \$69 thousand for the Education Loan Program are included in Personal Services for the 2004 Actual.

Vocational Rehabilitation and Employment

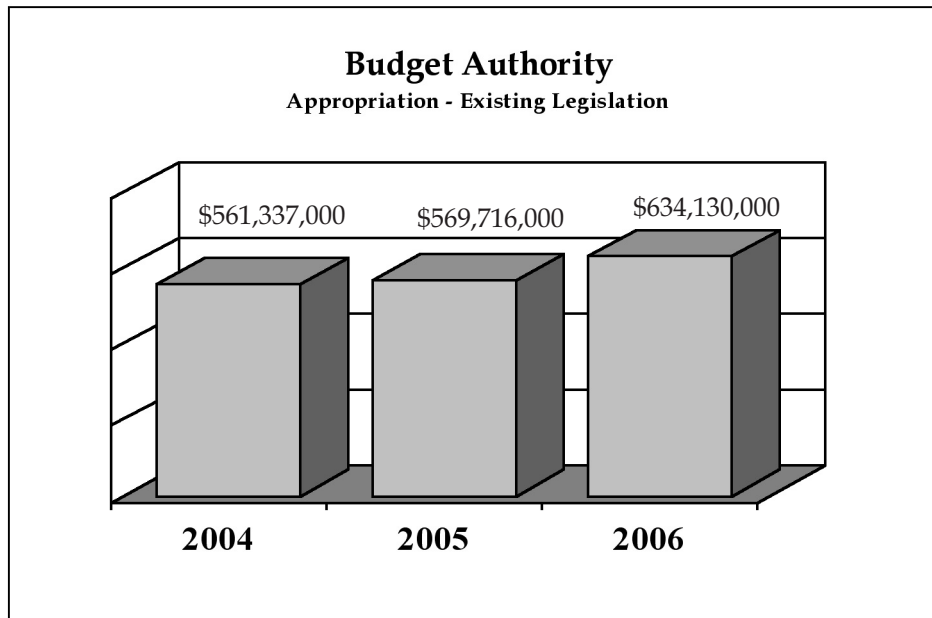
Program Description

This program provides eligible service-disabled veterans with services and assistance necessary to enable them to become employable and to obtain and maintain suitable employment to the maximum extent possible. Disabled veterans not requiring vocational rehabilitation training to overcome an identified employment handicap may be provided direct employment services. These services include job placement activities, modification of necessary equipment to maintain employment, as well as other services necessary to meet the veterans' needs. Another aspect of this program is the provision of independent living services for severely disabled veterans who do not have employment potential.

Veterans participating in the Vocational Rehabilitation and Employment (VR&E) program receive a monthly subsistence allowance, in addition to payments for dependents, tuition, books, handling charges, supplies, and equipment. Effective October 1, 2004, the monthly subsistence allowance for a single veteran enrolled in full time institutional training is \$474.27. Commencing October 1 of each subsequent year, the subsistence rate will increase commensurate with the Consumer Price Index.

The Vocational Rehabilitation Loan Program provides loans at twice the amount of the indexed full-time subsistence allowance for a veteran with no dependents under chapter 31 (currently \$948.54). These loans are available to service-connected disabled veterans participating in VA's VR&E Program when the rehabilitation counselor believes the veteran temporarily needs additional financial assistance. These loans help to ensure the veterans remain in training. These loans help protect VA's investment in the veteran, which averaged \$7,728 in 2004. Repayment of the loan is made in monthly installments, without interest, through deductions from future payments of compensation, pension, subsistence allowance, educational assistance allowance, or retired pay, thus ensuring loans are repaid. Most loans are repaid in full in less than one year. There are few defaults.

Reporting fees are paid from this account to educational and training institutions to help defray the cost of certifying education enrollment. The reporting fee payments are based on the veterans in training during each calendar year. The reporting fee rate is \$7 for eligible veterans or persons enrolled in the VR&E program. The reporting fee rate for veterans or persons whose educational assistance checks are paid directly to an institution is \$11.



Summary of Budget Request - Mandatory

Budget authority of \$634.1 million will be sufficient to provide funding for the Vocational Rehabilitation and Employment program in 2006. The 2006 request includes \$371.9 million to cover the cost of books, supplies, tuition, and fees for 73,935 veterans, \$252.3 million in subsistence allowance payments, \$9.6 million for work study contracts, and \$370 thousand for reporting fees payable to educational institutions.

Vocational Rehabilitation & Employment Summary of Mandatory Appropriation Highlights (dollars in thousands)					
		2005			
	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase(+) Decrease(-)
Mandatory					
Subsistence Allowance	\$227,830	\$244,043	\$238,610	\$252,284	\$+13,674
Books, tuition, supplies, fees, etc.	313,696	331,743	341,473	371,916	+30,443
Reporting fees	352	360	354	370	+16
Work-study, Chapter 31	10,233	11,152	9,290	9,560	+270
Total Mandatory Obligations	\$552,111	\$587,298	\$589,728	\$634,130	\$+44,402
Funding:					
Unobligated Balance (SOY)	\$-10,786	\$-22,094	\$-20,012	\$0	\$+20,012
Unobligated Balance (EOY)	\$20,012	\$0	\$0	\$0	\$0
Budget authority (net)	\$561,337	\$565,204	\$569,716	\$634,130	\$+64,414
Appropriation	\$561,337	\$565,204	\$565,204	\$634,130	\$+68,926
Transfer from Compensation to VR&E	\$0	\$0	\$4,512	\$0	\$-4,512
Outlays (net)	\$550,993	\$586,735	\$603,404	\$631,682	\$+28,278
Workload Data and Other Items					
Workload/ Participants:					
Receiving Subsistence Allowance	56,119	58,690	57,622	59,207	+1,585
Not receiving Subsistence Allowance	13,950	16,848	14,334	14,728	+394
Total Participants	70,069	75,538	71,956	73,935	+1,979
Rehab Evaluation, Planning, and Service	24,782	23,631	25,464	26,164	+700
Work-study contracts	6,924	8,900	6,884	6,884	0
Average Cost:					
Subsistence Allowance	\$4,060	\$4,158	\$4,141	\$4,261	\$+120
Books, tuition, supplies, fees, etc.	\$4,477	\$4,392	\$4,746	\$5,030	\$+284
Participant average cost	\$7,728	\$7,622	\$8,062	\$8,443	\$+381
Work-study contracts	\$1,478	\$1,253	\$1,350	\$1,389	\$+39
Cost:					
Subsistence Allowance	\$227,830	\$244,043	\$238,610	\$252,284	\$+13,674
Books, tuition, supplies, fees, etc.	313,696	331,743	341,473	371,916	+30,443
Participant cost	\$541,526	\$575,786	\$580,083	\$624,200	\$+44,117
Work-study contracts	\$10,233	\$11,152	\$9,290	\$9,560	\$+270

Note: Dollars may not add due to rounding in this and subsequent charts.

Summary of Budget Request - Discretionary

Budget authority of \$147.1 million is needed to fund the discretionary portion of the Vocational Rehabilitation and Employment program in 2006. The funding will support 1,123 FTE, the January 1, 2006, 2.3 percent pay raise, the associated level of fringe benefits and health costs, inflationary expenses, and capital obligations associated with our construction program. The budget authority request will also provide funding for VR&E's share of VBA-Wide initiatives, in addition to the VR&E Process Improvements initiative, which will improve the overall quality and timeliness of program services to our veterans and their families. Funding for the

Vocational Rehabilitation (VR) loan program to provide a loan level of \$4.2 million for 4,572 loans is estimated at \$305 thousand for administrative expenses and \$53 thousand for loan subsidy.

Vocational Rehabilitation & Employment Summary of Discretionary Appropriation Highlights (dollars in thousands)					
		2005			
Discretionary:	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase(+) Decrease(-)
FTE					
Direct	929	876	963	963	0
Information Technology	43	42	42	42	0
Management Direction and Support ^{1/}	133	97	97	118	+21
Total FTE	1,105	1,015	1,102	1,123	+21
Obligations:					
Personal Services	\$86,859	\$88,909	\$91,879	\$99,099	\$+7,220
Travel	1,329	1,864	1,864	1,712	-152
Interagency Motor Pool	239	276	276	280	+4
Transportation of Things	452	314	314	327	+13
Rent, Communications & Utilities	12,481	12,420	12,420	13,823	+1,403
Printing	249	311	311	316	+5
Other Services	17,575	30,037	34,998	26,479	-8,519
Supplies and Materials	1,157	1,004	1,004	1,019	+15
Equipment	1,294	3,334	3,334	2,132	-1,202
Insurance Claims	28	8	8	6	-2
VR&E Loan Subsidy	39	47	47	53	+6
Total Administrative Obligations ^{2/}	\$121,702	\$138,524	\$146,455	\$145,246	\$-1,209
Capital Obligations:					
Major Construction	\$0	\$0	\$328	\$0	\$-328
Minor Construction	\$1,841	\$2,045	\$2,595	\$1,886	\$-709
Total Discretionary Obligations	\$123,543	\$140,569	\$149,378	\$147,132	\$-2,246
Reimbursements	0	0	0	0	0
Unobligated SOY	\$-3,380	\$-1,071	\$-4,186	\$-77	\$+4,109
Unobligated EOY	\$4,186	\$893	\$77	\$77	\$0
Unobligated balance expiring	\$13	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0	\$0
Total Appropriation	\$124,362	\$140,391	\$139,269	\$147,132	\$+7,863
Transfers from VHA ^{3/}	\$0	\$0	\$6,000	\$0	\$-6,000
Appropriation Adjusted	\$124,362	\$140,391	\$145,269	\$147,132	\$+1,863
Outlays (net)	\$116,859	\$135,936	\$135,352	\$142,493	\$+7,141

Note: Dollars may not add due to rounding in this and subsequent charts.

^{1/} The 2006 column reflects a redistribution of Management Support FTE to correct prior imbalance among business lines.

^{2/} P.L 108-11, The Emergency Wartime Supplemental Appropriations Act, made available \$100 million of no-year funds to be used at the Secretary's discretion for veterans' needs associated with veterans returning from the Persian Gulf War Combat arena. The above chart reflects \$2.375 million transferred to VBA in 2003. Because of receiving the 2003 funding late in the fiscal year, \$2.375 million was made available in 2004 obligations.

^{3/} In the 2005 Current Estimate, \$6 million is transferred from VHA in accordance with PL 108-324, for costs associated with processing claims subject to the determination of The Secretary of Veterans Affairs. This figure is included in discretionary obligations.

Vocational Rehabilitation & Employment
Summary of Discretionary Appropriation Highlights (cont'd)
(dollars in thousands)

	2005				
	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase (+) Decrease (-)
Financing Account					
Direct Loans:					
Obligations	\$3,014	\$3,967	\$4,031	\$4,163	\$+132
Collections	\$2,945	\$3,870	\$3,579	\$4,089	\$+510
Financing Authority (net)	\$3,461	\$97	\$504	\$74	\$-430
Financing Disbursement (net)	\$67	\$97	\$453	\$74	\$-379
Vocational Rehabilitation Loan Program					
Number of VR loans	4,327	4,845	4,393	4,524	+131
Average loan amount	\$650	\$813	\$896	\$908	\$+12
VR loan amount	\$2,814	\$3,938	\$3,938	\$4,108	\$+170
Writeoff/ Adjustments	\$6	\$6	\$5	\$5	\$0

Housing

The 2006 budget request reflects a new account structure. Housing is one of the nine major programs. The Federal Credit Reform Act of 1990, P.L. 101508, changed the accounting for Federal credit programs to more accurately measure the costs of credit programs and to make credit programs consistent with and comparable to non-credit transactions. The intent of credit reform is to separate the subsidy, cost to the government reflected in the program account, from the off-budget cash flows of credit transactions accounted for in the financing accounts and to focus on the former for budgeting and analysis.

The financing off-budget accounts record all of the cash flows (disbursements, principal and interest repayments, fee collections, default payments, etc.) from post-1991 direct and guarantee loans. Funds are transferred from the program account to the financing accounts when the loans are disbursed.

Program Description - Mandatory

The mandatory housing program includes two credit reform programs, the Veterans Housing Benefit Program Fund (VHBPF) and the Guaranteed Transitional Housing for Homeless Veterans program.

Veterans Housing Benefit Program

All direct and guaranteed loans made prior to September 30, 1991 are scored in the Veterans Housing Benefit Program Fund Liquidating Account. Under the Federal Credit Reform Act of 1990, all direct and guaranteed loans made after September 30, 1991, are financed by subsidy appropriations to the VHBPF Program Account. This account also receives an appropriation for administrative expenses.

The principal objective of the Veterans Housing loan guaranty program is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The program operates by substituting the Federal Government's guaranty for the downpayment that would otherwise be required when a veteran or reservist purchases a home. Eligible individuals are thus able to finance home purchases even though they may not have the resources to qualify for conventional loans.

In the event of an insoluble default, VA, through its contract of guaranty, will pay any loss sustained by the holder of the loan, up to the amount of the guaranty. To offset program expenses, a variable funding fee, based upon the type of loan and downpayment, is collected on guaranteed loans and is deposited in the VHBPF Guaranteed Loan Financing Account. A fee of 2.25 percent is collected on vendee

loans, which is deposited in the VHBPF Direct Loan Financing Account. Persons who assume loans pay a fee of 0.5 percent. Service connected disabled veterans receiving compensation are exempt from paying the loan fee, as are surviving spouses of veterans who died from a serviceconnected disability.

VA is authorized to make direct loans to severely disabled veterans in connection with Specially Adapted Housing Grants. The maximum loan amount is \$33,000.

Veterans may also obtain guaranteed loan financing to buy a new or used manufactured home and/or buy or improve a lot for placement of a manufactured home. The guaranty amount is the lesser of 40 percent of the loan amount or \$20,000. Veterans are charged a funding fee of one percent of the loan amount.

Program Account

The Program Account records the subsidy (cost to the government) associated with direct loans obligated and loan guarantees committed since 1992, as well as the discretionary administrative expenses associated with operating the housing programs. Subsidy is calculated on a net present value basis; the administrative expenses are estimated on a cash basis.

Direct Loan Financing Account

The Direct Loan Financing Account (DLFA) is an off-budget account that records all financial transactions to and from the government, resulting from direct loans obligated since 1992 (including all vendees established and loans acquired from the liquidating and guaranteed loan financing accounts). The DLFA is used primarily for the financial tracking of each cohort year's loan activity (principal and interest repayments, Treasury borrowings, interest paid to or received from Treasury, etc.) and is not included in the budget totals when calculating total government spending.

Guaranteed Loan Financing Account

The Guaranteed Loan Financing Account (GLFA) is an off-budget account that records all financial transactions to and from the government, resulting from loan guarantees committed since 1992 (including modifications of loan guarantees that resulted from commitments in any year). Like the DLFA, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals when calculating total government spending.

Loan Sales Securities Guaranteed Loan Financing Account

The Guaranteed Loan Sales Securities Account (LSSA) was established in 1999 to record transactions from the guarantee of vendee loans sold under the Vendee Mortgage Trust (VMT) Securitization Program. Like DLFA and GLFA, this account's primary purpose is the financial tracking of each cohort year's loan sale activity and is not included in the budget totals when calculating total government spending.

Liquidating Account

The Liquidating Account records all cash flows to and from the Government resulting from direct loans obligated and loan guarantees committed prior to 1992. This account is shown on a cash basis. New loan activities in this account in 1992 and after (loans acquired, vendees established, etc.) are recorded in the DLFA.

Guaranteed Transitional Housing for Homeless Veterans

The Transitional Housing program was established by Public Law 105-368; the "Veterans Benefits Enhancement Act of 1998." The program is a pilot project designed to expand the supply of transitional housing for homeless veterans by providing up to 15 loans with a maximum aggregate value of \$100 million. The project must enforce sobriety standards and provide a wide range of supportive services, such as counseling for substance abuse and job readiness skills. Residents will be required to pay a reasonable fee.

In the President's budget, the off-budget account is presented in the Native American and Transitional Housing Direct Loan Financing Account.

Program Account

The Transitional Housing Program Account records the subsidy (cost to the government) associated with direct loan obligations. In 2006, administrative expenses for this program are being requested in the Housing program account. The administrative expenses are currently funded from the Medical Care and General Operating Expenses account.

Direct Loan Financing Account

The Transitional Housing Direct Loan Financing Account (TH DLFA) is an off-budget account that records all financial transactions to and from the government resulting from direct loan obligations. The TH DLFA is used primarily for the financial tracking of each cohort year's loan activity within the financing account and is not included in the budget totals when calculating total government

spending. Guaranteed Transitional Housing Loans will be financed by the Federal Financing Bank (FFB) and, for budgetary and accounting purposes, considered Agency debt. Therefore, although this is a guaranteed program, all transactions will be accounted for in a direct loan financing account.

Program Description - Discretionary

The discretionary portion of the housing programs includes the Native American Veterans Housing Loan Program, a credit reform program, and the administrative expenses for all credit reform (including mandatory) programs.

Native American Veterans Housing Loan Program

The Native American Veterans Housing Loan Program is authorized by 38 U.S.C. chapter 37, section 3761 to provide direct loans to veterans living on trust lands. The loans are available to purchase, construct or improve homes to be occupied as the veteran's residence. The principal amount of a loan under this authority is generally limited to \$80,000, except in areas where housing costs are significantly higher than average costs nationwide. Veterans pay a funding fee of 1.25 percent of the loan amount but veterans with service-connected disability are exempt from paying the fee. The law also requires that, before any direct loans can be made, the veteran's tribal organization sign a Memorandum of Understanding with the Department of Veterans Affairs with respect to the terms and conditions of the loans.

The Native American Veterans Housing Loan Program is a pilot program that began in 1993 and expires on December 31, 2008. Indefinite subsidy authority of \$4.5 million was provided by Public Law 102-38, "Departments of Veterans Affairs, Housing and Urban Development, and Independent Agencies Appropriation Act, 1993." Initial authority for this pilot program expired September 30, 1997. Authority was extended through December 31, 2001, by Public Law 105-114, "Veterans Benefits Act of 1997" and later extended through December 31, 2005, by Public Law 107-103, "Veterans Education and Benefits Expansion Act of 2001", and recently extended through December 31, 2008, by Public Law 108-454, "Veterans Benefits Improvement Act of 2004."

In the President's budget, the off-budget account is presented in the Native American and Transitional Housing Direct Loan Financing Account.

Program Account

The Program Account records the subsidy (cost to the government) associated with direct loans obligated in 1993 and after, as well as the administrative expenses associated with operating the Native American Veterans Housing Loan program. The subsidy cost is calculated on a net present value basis; the administrative

expenses are estimated on a cash basis. This account holds the unobligated balance of the original appropriation for subsidy.

Direct Loan Financing Account

The Direct Loan Financing Account (DLFA) is an off-budget account that records all financial transactions to and from the government resulting from direct loan obligations. The DLFA is used primarily for the financial tracking of each cohort year's loan activity and is not included in the budget totals when calculating total government spending.

Summary of On-Budget Request - Mandatory

Budget authority of \$64.6 million is being requested for the Housing program account for 2006 to provide subsidy payments of \$42.6 million to the Veterans Housing Guaranteed Loan Sales Securities Account and \$22.0 million for the Veterans Housing Direct Acquired Loan program. A subsidy appropriation is not required for the Veterans Housing Guaranteed or Direct Vendee Loan programs for 2006 because they have negative subsidy rates. An appropriation is not required for the \$21.5 million in obligations for the Guaranteed Transitional Housing program because unobligated funds remain available from the initial appropriation.

The Liquidating account does not require an appropriation to fund account obligations because sufficient resources are available from the \$64.6 million in offsetting collections (borrower's principal and interest repayments, sale of homes, etc.). Obligations for 2006 are estimated at \$22.0 million which, when netted with collections, results in a negative budget authority of \$42.6 million.

Total Housing
Summary of Mandatory Appropriation Highlights
(dollars in thousands)

Mandatory	2004 Actual	2005		2006 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Liquidating:					
Program Obligations	\$31,557	\$46,488	\$26,967	\$21,953	\$-5,014
Transfer to General Fund	\$67,616	\$42,502	\$83,965	\$42,633	\$-42,332
Offsetting Collections	\$125,335	\$88,990	\$82,475	\$64,586	\$-17,889
Budget authority (net)	\$-40,000	\$-42,502	\$-55,507	\$-42,633	\$+12,875
Outlays (net)	\$-92,958	\$-42,502	\$-53,649	\$-42,633	\$+11,016
Credit Reform Accounts:					
Loan Subsidy Obligations:					
Veterans Housing Guaranteed	\$182,642	0	0	0	0
Veterans Housing Loan Sales	16,787	\$43,784	\$14,900	\$42,622	\$+27,722
Veterans Housing Direct Acquired	3,217	0	0	21,964	+21,964
Veterans Housing Direct Vendees	0	0	0	0	0
Transitional Housing Direct ^{1/}	0	9,650	21,530	15,026	-6,504
Upward Reestimates, including interest:					
Veterans Housing Guaranteed	0	0	3,940	0	-3,940
Veterans Housing Loan Sales	0	0	213,638	0	-213,638
Veterans Housing Direct Acquired	0	0	1,667,914	0	-1,667,914
Veterans Housing Direct Vendees	0	0	0	0	0
Native American Direct	697	0	3,308	0	-3,308
Obligations	\$203,343	\$53,434	\$1,925,231	\$79,611	\$-1,845,114
Unobligated Balance:					
Start of year	\$-48,250	\$-38,600	\$-48,250	\$-26,720	\$+21,530
End of year	\$48,250	\$28,950	\$26,720	\$11,694	\$-15,026
Budget Authority (net)	\$203,343	\$43,784	\$1,903,700	\$64,586	\$-1,839,114
Obligated Balance:					
Start of year	\$14,831	\$4,825	\$448	\$16,638	\$+16,190
End of year	\$-448	\$-4,825	\$-16,638	\$-13,751	\$+2,887
Outlays (net)	\$217,725	\$53,434	\$1,909,041	\$82,498	\$-1,826,543
Total Mandatory Obligations	\$234,899	\$99,923	\$1,952,198	\$101,564	\$-1,850,634
Budget Authority:					
Program Account	\$203,343	\$43,784	\$1,903,700	\$64,586	\$-1,839,114
Liquidating Account	-40,000	-42,502	-55,507	-42,633	+12,874
Total Budget Authority (net)	\$163,343	\$1,283	\$1,848,193	\$21,953	\$-1,826,240
Total Outlays (net)	\$124,767	\$10,932	\$1,855,392	\$39,866	\$-1,815,526

Dollars may not add due to rounding in this and subsequent charts.

^{1/} No budget authority is needed because the obligations are funded from the unobligated balance.

Summary of On-Budget Request – Discretionary

Budget authority of \$156.7 million is needed to fund the administrative expenses and minor construction projects of the Housing programs in 2005. Administrative funding includes \$153.6 million for Veterans Housing program, \$750 thousand for the Guaranteed Transitional Housing program, and \$580 thousand for the Native American Housing program. The funding will support 1,076 VBA FTE for the Veterans and Native American Housing programs, 41 FTE for the Office of the General Counsel and 3 FTE under the Veterans Health Administration for the Transitional Housing program. Funding for General Counsel and the Veterans Health Administration expenses for Transitional Housing are included in other services. The Office of General Counsel is reimbursed for its costs associated with initiating and responding to legal actions in state and federal courts arising under the housing and debt collection programs for the Veterans and Native American Housing programs. An appropriation for subsidy is not being requested for the Native American Housing program because the program has a negative subsidy rate in 2006.

Total Housing
Summary of Discretionary Appropriation Highlights
(dollars in thousands)

Discretionary	2004 Actual	2005		2006 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
VBA Housing FTE:					
Direct	868	885	885	868	-17
Information Technology	108	101	101	101	0
Management Direction and Support ^{1/}	280	295	295	107	-188
Total Housing FTE	1,256	1,281	1,281	1,076	-205
Reimbursed FTE	44	44	44	44	0
Housing Administrative Expenses:					
Personal Services	\$93,503	\$95,836	\$100,553	\$89,606	\$-10,947
Travel	2,056	2,661	2,661	2,467	-194
Interagency Motor Pool	461	492	492	499	+7
Transportation of Things	362	337	337	342	+5
Rent, Communications & Utilities	15,741	14,831	14,831	16,000	+1,169
Printing	481	334	334	339	+5
Other Services ^{2/}	39,552	37,759	31,799	42,865	+11,066
Supplies and Materials	1,401	1,109	1,109	1,131	+22
Equipment	1,546	2,069	2,069	1,691	-378
Insurance Claims	14	8	8	5	-3
Administrative Obligations ^{3/}	\$155,117	\$155,436	\$154,193	\$154,945	\$+752
Credit Reform, Native American:					
Loan Subsidy Obligations	\$13	\$0	\$0	\$0	\$0
Unobligated Balance:					
Start of year	\$-2,347	\$-2,277	\$-2,334	\$-2,334	\$0
End of year	\$2,334	\$2,277	\$2,334	\$2,334	\$0
Budget authority (net) ^{4/}	\$0	\$0	\$0	\$0	\$0
Obligated Balance:					
Start of year	\$0	\$1	\$0	\$0	\$0
End of year	\$0	\$0	\$0	\$0	\$0
Outlays (net)	\$13	\$1	\$0	\$0	\$0
Capital Obligations:					
Major Construction	\$0	\$0	\$273	\$0	\$-273
Minor Construction	\$2,929	\$2,121	\$1,739	\$1,771	\$+32
Total Discretionary Obligations	\$158,046	\$157,557	\$156,205	\$156,716	\$+511
Reimbursement from Franchise Fund	\$0	\$40	\$40	\$40	\$0
Total Unobligated Balance: ^{5/}					
Start of year	\$-3,831	\$-3,452	\$-2,607	\$-2,334	\$+273
End of year	\$2,607	\$3,084	\$2,334	\$2,334	\$0
Total Appropriation:					
Current Appropriation	\$157,749	\$157,149	\$157,149	\$156,676	\$-473
Appropriation rescinded, discretionary	-927	0	-1,257	0	+1,257
Total Appropriation (net)	\$156,822	\$157,149	\$155,892	\$156,676	\$+784
Total Outlays (net)	\$156,829	\$154,031	\$146,899	\$153,299	\$+6,400

^{1/} The 2006 column reflects a redistribution of Management Support FTE to correct prior imbalance among business lines.

^{1/} Reimbursements for General Counsel and Transitional Housing are included in other services.

^{2/} Includes amounts transferred to and merged with the "Administrative expenses" account from the Native American loan program and Veterans Housing loan program of \$154.5 million in 2004 and \$153.5 million in 2005. A total of \$154.2 million for these programs is included in 2006. Also included are funds transferred from the Medical Care account for the Transitional Housing Program in the amount of \$600 thousand in 2004. A total of \$744 thousand for this program is included in 2005.

^{3/} No budget authority is needed because the obligations are funded from the unobligated balance.

^{4/} Includes major and minor construction and the Native American credit reform subsidy balance shown above

<p style="text-align: center;">Total Housing Summary of Appropriation Highlights (dollars in thousands)</p>					
Total Mandatory and Discretionary	2004 Actual	2005		2006 Estimate	Increase (+) Decrease (-)
Housing Program and Liquidating Accounts		Budget Estimate	Current Estimate		
Obligations:					
Liquidating Account	\$31,557	\$46,488	\$26,967	\$21,953	\$-5,014
Program Account	361,389	210,991	2,081,436	236,327	-1,845,109
Total Obligations	\$392,946	\$257,479	\$2,108,403	\$258,280	\$-1,850,123
Budget Authority:					
Mandatory, Program Account	\$203,343	\$43,784	\$1,903,700	\$64,586	\$-1,839,115
Mandatory, Liquidating Account	-40,000	-42,502	-55,507	-42,633	+12,875
Discretionary Appropriation, Program Account	157,749	157,149	157,149	156,676	-473
Appropriation rescinded	-927	0	-1,257	0	+1,257
Total Budget Authority (net)	\$320,165	\$158,431	\$2,004,085	\$178,629	\$-1,825,456
Outlays:					
Liquidating Account	\$-92,958	\$-42,502	\$-53,649	\$-42,633	\$+11,016
Program Account	374,554	206,466	2,055,940	235,797	-1,820,143
Total Outlays (net)	\$281,596	\$195,715	\$2,002,291	\$193,164	\$-1,809,127

Summary of Off-Budget Financing Accounts

Veterans Housing

The Veterans Housing Guaranteed Loan program has a negative subsidy rate in 2006 and will not require any subsidy to finance 300,000 Veterans Housing Guaranteed loans totaling \$46.7 billion. Public Law 108-454, the "Veterans Benefits Improvement Act of 2004", extended the Veterans Housing Guaranteed Loan Hybrid Adjustable Rate Mortgage (ARM) demonstration program through 2008 and increased the maximum loan guaranty for Guaranty Loan Housing program. The \$42.6 million (on-budget) in Loan Sales subsidy for 2006 is the estimated cost to the Government to finance the sale of 11,448 loans totaling \$1.0 billion. The \$22.0 million (on-budget) in Direct Acquired Loan subsidy for 2006 is to finance 2,159 acquired loans totaling \$239.3 million.

The Veterans Housing Direct Loan Program has a negative subsidy rate in 2006 and will not require any subsidy to finance 14,164 vendee loans totaling \$1.4 billion for 2006.

Transitional Housing

It is projected that Guaranteed Transitional Housing for Homeless Veterans will disburse three loans in 2006. The total amount of the three loans is estimated at \$21.0 million with a subsidy cost of \$15.0 million (on-budget) to be financed with remaining unobligated funds.

Native American Housing

The Native American Housing program has a negative subsidy rate and will not require any subsidy in 2006 for the 30 loans totaling \$2.4 million. Since this loan program has a negative subsidy rate in 2006, a loan level limitation is required by the Federal Credit Reform Act of 1990 in the Appropriation language. A \$30 million loan level limitation is requested to cover any unexpected increase in demand for this loan program.

Total Housing Financial Summary for Credit Reform Financing Accounts (Off-Budget) 1/ (dollars in thousands)					
Financing Accounts	2004 Actual	2005		2006 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Veterans Housing Benefit Program Fund:					
Guaranteed Loans:					
Obligations	\$3,329,626	\$3,713,232	\$3,909,106	\$3,142,879	\$-766,227
Collections	\$1,820,033	\$3,507,921	\$2,968,762	\$3,766,102	\$+797,340
Financing Authority (net)	\$0	\$0	\$0	\$0	\$0
Financing Disbursements (net)	\$1,516,348	\$220,810	\$939,427	\$-618,745	\$-1,558,172
Loan Sales Securities:					
Obligations	\$525,418	\$1,228,072	\$505,483	\$1,178,660	\$+673,177
Collections	\$362,999	\$1,280,248	\$674,390	\$1,143,783	\$+469,393
Financing Authority (net)	\$-8,394	\$0	\$0	\$0	\$0
Financing Disbursements (net)	\$162,419	\$-52,176	\$-168,907	\$34,876	\$+203,783
Direct Loans:					
Acquired Loans:					
Obligations	\$542,760	\$393,014	\$493,202	\$277,133	\$-216,069
Collections	\$446,170	\$303,194	\$2,259,043	\$621,736	\$-1,637,307
Financing Authority (net)	\$-227,928	\$80,166	\$-1,813,218	\$-344,603	\$+1,468,615
Financing Disbursements (net)	\$44,980	\$96,189	\$-1,759,332	\$-316,224	\$+1,443,108
Vendee Loans:					
Obligations	\$27,857	\$1,603,576	\$858,751	\$1,689,808	\$+831,057
Collections	\$334,982	\$1,338,099	\$579,818	\$1,362,576	\$+782,758
Financing Authority (net)	\$-528	\$275,131	\$123,796	\$327,232	\$+203,436
Financing Disbursements (net)	\$-248,641	\$226,637	\$274,004	\$322,302	\$+48,298
Guaranteed Transitional Housing for Homeless Veterans, Direct Loans:					
Obligations	\$0	\$20,793	\$26,286	\$21,216	\$-5,070
Collections	\$0	\$9,370	\$5,512	\$18,655	\$+13,143
Financing Authority (net)	\$0	\$11,424	\$20,774	\$2,561	\$-18,213
Financing Disbursements (net)	\$0	\$11,424	\$1,068	\$4,786	\$+3,718
Native American Veterans Housing, Direct Loans:					
Obligations	\$10,950	\$5,543	\$5,923	\$4,230	\$-1,693
Collections	\$7,749	\$7,154	\$4,947	\$1,716	\$-3,331
Financing Authority (net)	\$2,960	\$-1,610	\$976	\$2,514	\$+1,538
Financing Disbursements (net)	\$3,384	\$-1,610	\$1,226	\$2,514	\$+1,288
Housing Financing Accounts Totals:					
Obligations	\$4,436,611	\$6,964,230	\$5,798,751	\$6,313,926	\$+515,175
Collections	\$2,971,933	\$6,445,986	\$6,492,472	\$6,914,568	\$+422,096
Financing Authority (net)	\$-233,890	\$365,111	\$-1,667,672	\$-12,296	\$+1,655,376
Financing Disbursements (net)	\$1,478,490	\$501,274	\$-712,514	\$-570,491	\$+142,023

1/ Financing accounts are "off-budget" because they are excluded from the budget totals when calculating total government spending. The costs to the government for credit reform loan programs are included in the program account as subsidy.

Total Housing - Workload Summary (dollars in thousands)

	2004 Actual	2005		2006 Estimate	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Veterans Housing Benefit Program:					
Liquidating Account:					
Property acquisitions	409	1,242	368	294	-74
Properties sold	966	1,230	869	782	-87
Properties on-hand, end-of-year	843	1,396	337	0	-337
Guaranteed Loans:					
Subsidy rate	0.50%	-0.32%	-0.32%	-0.32%	-0.0%
Claims processed	10,980	22,356	22,924	22,818	-106
Properties acquired	9,333	19,003	19,486	19,396	-90
Properties sold/redeemed 1/	8,299	21,771	49,575	49,345	-230
Property inventory, end of year	5,073	20,046	25,016	54,965	-29,949
Number of guaranteed loans	270,571	300,000	300,000	300,000	0
Amount of guaranteed loans	\$35,314,513	\$40,642,102	\$43,802,416	\$46,173,100	\$+2,370,684
Average loan amount (full dollars)	\$130,518	\$134,848	\$146,008	\$153,910	\$+7,902
Loan Sales Securities:					
Subsidy rate	5.65%	3.69%	3.69%	4.12%	+0.43%
Guaranteed loans sold:					
Number of loans sold	3,397	12,104	4,558	11,448	+6,890
Amount of loans sold	\$297,104	\$1,186,567	\$403,808	\$1,034,506	\$+630,698
Average loan amount (full dollars)	\$87,461	\$98,029	\$88,598	\$90,370	\$+1,772
Gross proceeds from sale	\$309,395	\$1,197,001	\$407,642	\$1,044,330	\$+636,688
Direct Loans:					
Acquired Loans:					
Subsidy rate	.86%	-5.12%	-5.12%	9.18%	+14.3%
Number of loans	1,171	2,780	1,983	2,159	+176
Total amount of loans	\$121,364	\$312,060	\$213,582	\$239,260	\$+25,678
Average loan amount (full dollars)	\$100,659	\$112,261	\$110,800	\$113,460	\$+2,660
Vendee Loans:					
Subsidy rate	.86%	-5.12%	-5.12%	-5.64%	-0.52%
Number of Loans	3	14,140	7,151	14,164	+7,013
Total Amount of Loans	\$297	\$1,380,057	\$699,380	\$1,434,121	\$+734,741
Average loan amount (full dollars)	\$99,000	\$97,598	\$97,797	\$101,251	\$+3,454
Specially Adapted Housing Loans	0	1	1	1	0
Transitional Housing for Homeless Veterans Program, Direct Loans:					
Subsidy rate	0.00%	48.25%	82.16%	71.55%	-10.61%
Number of loans established	0	3	5	3	-2
Amount of loans established	\$0	\$20,000	\$26,205	\$21,000	\$-5,205
Average loan amount (full dollars)	\$0	\$6,666,667	\$5,241,050	\$7,000,000	\$+1,758,950
Native American Veterans Housing Program, Direct Loans:					
Subsidy rate	.28%	-7.75%	-7.75%	-13.79%	-6.04%
Number of loans established	75	30	30	30	0
Amount of loans established	\$5,870	\$3,044	\$2,322	\$2,368	\$+46
Average loan amount (full dollars)	\$77,072	\$101,482	\$77,387	\$78,935	\$+1,548

^{1/} Property transfers to the property management contractor started on December 8, 2003 and were completed on January 12, 2004. Property sales were halted during the transfer resulting in lower annual sales.

Analysis of Mandatory Increases and Decreases – On-Budget

Outlays for mandatory programs in 2006 are currently projected to increase by \$1.7 billion from 2005. The increase is due to upward reestimates primarily within the Acquired Direct Loan program.

Analysis of Discretionary Increases and Decreases – On-Budget

In 2006, obligations are currently projected to increase \$511 thousand. The \$11 million decrease in personal services is the result of a payroll reduction of 205 FTE due to a redistribution of management direction and support FTE to correct prior imbalances among the business lines. Travel was reduced by \$194 thousand to better reflect program requirements. The \$1.2 million increase in rent, communications, and utilities is required to pay increased rental rates, relocations into GSA space, and security funding over the 2005 level. The \$11.1 million increase in other services reflects a level commensurate with inflationary trends from 2004. Included is investment for several VBA-wide initiatives and a \$2 million increase in the property management contract. Other increases to non-pay categories reflect inflationary trends.

Analysis of Financing Increases and Decreases – Off-Budget

In 2005, total financing net disbursements (outlays) are projected to decrease \$2.2 billion in the five housing financing accounts mostly due to decreases in the Guaranteed Loan Financing Account (GLFA). Net disbursements for the GLFA are estimated to decrease by \$576.9 million to \$939.4 million due to the implementation of a variable default methodology that more accurately projects future foreclosures (lower acquisition costs and claim payments), resulting in a negative subsidy rate for 2005 and downward reestimates in 2004 of \$1.9 billion. Net disbursements for the Loan Sales Securities Account (LSSA) are estimated to decrease \$331.3 million due to the termination and subsequent reinstatement of Vendee loans in 2004 leading to a lack of loans available for sale. An decrease in obligations (primarily reimbursements to the Direct Loan Financing Account (DLFA) for loan sales) of \$19.9 million combined with a \$311.4 million increase in collections (mostly loan sale proceeds, but also subsidy, interest on uninvested funds, refunds from the trust, etc.) results from the increased sale of Vendee loans. Net disbursements for the Direct Acquired Loan program are projected to decrease \$1.8 billion due to the net effect of a decrease in obligations (mostly loan disbursements, but also property expenses, interest on Treasury borrowings, etc.) of \$49.6 million and an increase in offsetting collections (mostly reestimates) of \$1.8 billion. Net disbursements for the Direct Vendee Loan Program are projected to increase \$522.6 million during 2005 due to increased activity as a result of the reinstatement of Vendee loans. An increase in offsetting collections (mostly reestimates but also loan sale funds from LSSA, principal and interest payments, fees, etc.) of \$244.8 million is partially offset

by an increase in obligations (mostly loan disbursements, but also negative subsidy, property expenses, interest on Treasury borrowings, etc.) of \$830.9 million. Net disbursements for Transitional Housing are projected to increase \$1.1 million for 2005 due to an increase in loan disbursements, partially offset by an increase in subsidy collections from the program account. Native American Housing disbursements are currently projected to decrease \$2.1 million for 2005 mostly due to lower loan disbursements.

In 2006, total financing net disbursements (outlays) are projected to increase \$142.0 million. Net disbursements for the GLFA are currently projected to decrease \$1.6 billion in 2006. The decrease is due to an increase in offsetting collections of \$797.3 combined with a decrease in obligations of \$766.2 as loan levels decrease and interest rates rise. Net Disbursements for the LSSA are projected to increase \$203.8 million due to projected increases in revenue that will result from the increase in sales of Vendee loans in 2006. A \$673.2 million increase in obligations (reimbursements to the DLFA for loans sales, payments to trustee for losses on loans sold, etc.) is mostly offset by a \$469.4 million increase in collections (subsidy, loan sale proceeds, interest on uninvested funds, refunds from the trust, etc.). Net disbursements for the DLFA for Acquired Loans are projected to increase \$1.4 billion due mostly to 2005 reestimate values but in part to the implementation of distinct subsidy models for the direct program, which more accurately reflect the costs of Acquired Loans. An increase in offsetting collections (consisting largely of upward reestimates and subsidy payments from the program account) of \$1.6 billion is partially offset by an decrease in obligations (loan disbursements, property expenses, interest on Treasury borrowings, etc.) of \$216.1 million. Net disbursements for DLFA for Vendee loans are projected to increase \$48.3 million due to the implementation of distinct subsidy models for the direct program, resulting in a negative subsidy rate for Vendee loans. The increase in offsetting collections (mostly reestimates, but also including loan sale funds from LSSA, principal and interest payments, fees, etc.) of \$782.8 million is partially offset by an increase in obligations (negative subsidy, loan disbursements, property expenses, interest on Treasury borrowings, etc.) of \$831.1 million. Guaranteed Transitional Housing net disbursements are projected to increase \$3.7 million for 2006 due to the loan obligations and collections for the three loans. The Native American Housing net disbursements are projected to increase \$1.3 million for 2006 as subsidy rates decrease.

Insurance Programs

Summary

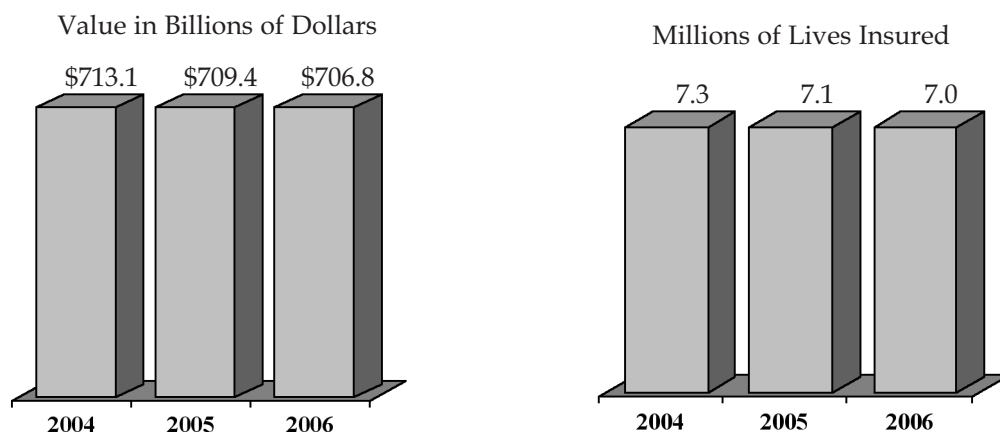
Life insurance protection for the Nation's servicemembers and veterans is provided under eight separate programs. Six of these programs are administered directly by the Department of Veterans Affairs and the remaining two are supervised through contractual agreement with Prudential Life Insurance Company of America through the Office of Servicemembers' Group Life Insurance (OSGLI). OSGLI administers the Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) programs.

The eight VA insurance programs are financed in a variety of ways. The Veterans Mortgage Life Insurance (VMLI) program is funded from the Veterans Insurance and Indemnities (VI&I) program. The VGLI program is funded by premiums and transfers from the (SGLI) fund. The VGLI is not included in the summary charts shown below. Veterans Insurance and Indemnities is a direct appropriation that supports the costs of insuring disabled veterans. Of the remaining six programs, three are public enterprise funds, two are trust funds, and one is a trust revolving fund.

The seven accounts listed below are covered in the following pages:

Appropriation:	Insurance
Public enterprise funds:	Service-Disabled Veterans Insurance (SDVI) Veterans' Reopened Insurance (VRI) Servicemembers' Group Life Insurance (SGLI)
Trust funds:	National Service Life Insurance (NSLI) United States Government Life Insurance (USGLI)
Trust revolving fund:	Veterans' Special Life Insurance (VSLI)

Total Insurance in Force



Summary of Budget Request- Mandatory

In 2006, the Insurance account will require an appropriation of \$45.9 million to finance its operation. Two million dollars of additional income is received from VMLI premiums.

Budget authority (permanent and indefinite) is made available automatically to the USGLI and the NSLI funds each year by virtue of standing legislation. All obligations of the VSLI and VRI funds are paid from offsetting collections and redemption of investments in U.S. Treasury securities. All obligations of the SDVI fund are paid by transfers from the Insurance account Fund and other offsetting collections. No action by Congress is required.

Obligations of the SGLI program are financed entirely from premium collections, interest on investments, and redemption of U.S. securities.

Insurance
Summary of Mandatory Appropriation Highlights
(dollars in thousands)

	2004 Actual	2005		2006 Estimate	Increase (+) Decrease(-)
		Budget Estimate	Current Estimate		
Mandatory					
Lives Insured:¹					
Veterans (Administered Programs)	1,524,818	1,553,887	1,432,931	1,339,125	-93,806
Veterans (VGLI)	407,823	415,958	417,662	426,989	+9,327
Servicemembers (SGLI)	2,448,500	2,388,000	2,442,000	2,436,000	-6,000
Spouses and Children (FSGLI)	3,090,000	3,004,000	2,988,000	2,986,000	-2,000
Total Lives Insured	7,471,141	7,361,845	7,280,593	7,188,114	-92,479
Face Amount In Force	\$756,650,435	\$747,636,006	\$755,961,008	\$756,137,722	+\$176,714
Obligations:					
Death Claims	\$1,112,007	\$1,152,750	\$1,162,140	\$1,189,780	+\$27,640
Dividends	525,400	465,469	459,610	410,831	\$-48,779
Premiums Paid to OSGLI	532,517	529,670	543,250	540,770	\$-2,480
Transfers to Insurance Funds	38,629	32,250	138,843	38,237	\$-100,606
Payments for Administrative Expenses	37,602	40,215	40,215	40,928	+\$713
Capital Investments	92,307	99,750	94,220	95,080	+\$860
All Other Obligations	200,155	190,390	188,112	189,754	+\$1,642
Total Mandatory Obligations	\$2,538,617	\$2,510,494	\$2,626,390	\$2,505,380	\$-121,010
Funding:					
Offsetting Collections					
Premiums	\$102,592	\$101,850	\$99,247	\$97,820	\$-1,427
SGLI Premiums	533,717	530,710	544,290	541,830	\$-2,460
Interest on U.S. Securities	171,070	165,470	166,010	160,710	\$-5,300
Payments for S-DVI	24,979	31,190	37,893	37,297	\$-596
All Other Collections	422,407	422,096	473,812	342,690	\$-131,122
Total Collections	\$1,254,765	\$1,251,316	\$1,321,252	\$1,180,347	\$-140,905
Unobligated balance (SOY)	\$-11,791,949	\$-11,459,701	\$-11,478,053	\$-11,072,015	+\$406,038
Unobligated balance (EOY)	\$11,478,053	\$11,082,232	\$11,072,015	\$10,581,089	\$-490,926
Budget Authority, net					
Insurance Benefit Appropriation (VI&I)	\$29,017	\$39,380	\$44,380	\$45,907	+\$1,527
Transfer from C&P	\$3,000	\$0	\$0	\$0	\$0
Trust funds	\$1,246,117	\$1,210,119	\$1,247,998	\$1,253,043	+\$5,045
Total Mandatory:					
Budget Authority (net)	\$1,278,134	\$1,249,499	\$1,292,378	\$1,298,950	+\$6,572
Outlays (net)	\$1,261,394	\$1,242,204	\$1,299,011	\$1,329,843	+\$30,832

¹ In this budget the Insurance program will depict lives insured rather than showing number of policies as in past budgets. This change is being made in order to more accurately reflect the people Insurance serves and the true scope of the insurance programs. Because some veterans in our administered programs have more than one policy, and because our supervised programs (SGLI, FSGLI and VGLI) are in fact only one "group policy", it is inaccurate to depict these programs as "policies in force".

Summary of Budget Request – Discretionary

Budget Authority of \$4.6 million is requested to fund the discretionary portion of the Insurance Program. Combined budget authority and offsetting collections of \$41 million will fund total obligations of \$45.6 million. The combined request will provide sufficient funding for: the administrative expenses of 507 FTE; the January 1, 2006 pay raise currently estimated at 2.3 percent as well as the associated level of fringe benefits; inflationary expenses; and capital obligations associated with our construction programs.

Insurance Summary of Discretionary Appropriation Highlights (dollars in thousands)					
		2005			
Discretionary	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate	Increase (+) Decrease (-)
FTE					
Direct	402	425	425	422	-3
Information Technology	30	30	30	30	0
Management Direction and Support ^{1/}	58	58	58	55	-3
Total FTE	490	513	513	507	-6
Obligations:					
Personal Services	\$30,788	\$32,666	\$33,273	\$34,780	\$+1,507
Travel	205	221	221	224	+3
Interagency Motor Pool	9	10	10	10	0
Transportation of Things	4	13	13	13	0
Rents, Communications & Utilities	7,110	7,059	7,059	6,489	-570
Printing	27	82	82	83	+1
Other Services	2,218	1,971	1,332	1,771	+439
Supplies and Materials	383	378	378	384	+6
Equipment	801	1,798	1,798	1,595	-203
Total Administrative Obligations ^{2/}	\$41,546	\$44,196	\$44,166	\$45,349	\$+1,183
Capital Obligations:					
Major Construction	\$0	\$0	\$0	\$0	\$0
Minor Construction	\$206	\$459	\$655	\$211	\$-444
Total Discretionary Obligations	\$41,752	\$44,655	\$44,821	\$45,560	\$+739
Reimbursements	\$-37,601	\$-40,215	\$-40,217	\$-40,928	\$-711
Unobligated SOY	\$-629	\$-448	\$-448	\$0	\$+448
Unobligated EOY	\$448	\$198	\$0	\$0	\$0
Unobligated balance expiring	\$0	\$0	\$0	\$0	\$0
Transfers in from other accounts	\$0	\$0	\$0	\$0	\$0
Other Adjustments	\$0	\$0	\$0	\$0	\$0
Total Appropriation	\$3,970	\$4,190	\$4,156	\$4,632	\$+476
Transfers from VHA	\$0	\$0	\$0	\$0	\$0
Appropriation Adjusted	\$3,970	\$4,190	\$4,156	\$4,632	\$+476
Outlays	\$2,732	\$3,979	\$3,951	\$4,346	\$+395

Note: Dollars may not add due to rounding in this and subsequent charts.

^{1/}2006 column reflects a redistribution of Management Support FTE to correct prior imbalances among business lines.

^{2/} P.L. 108-11, the Emergency Wartime Supplemental Appropriations Act, made available \$100 million of no-year funds to be used at the Secretary's discretion for veterans' needs associated with veterans returning from the Persian Gulf War Combat arena. Of the \$100 million, \$180 thousand was transferred to Insurance in 2003. Because of receiving the 2003 funding late in the fiscal year, \$180 thousand was made available in 2004 obligations.

Insurance Funds

Program Description

The following VA life insurance funds are explained below:

- United States Government Life Insurance (USGLI)
- National Service Life Insurance (NSLI)
- ServiceDisabled Veterans Insurance (SDVI)
- Veterans' Reopened Insurance (VRI)
- Veterans' Special Life Insurance (VSLI)

The five insurance programs included under the Consolidated Insurance Funds group contain over 99.8 percent of those policies administered directly by VA. Each of these funds is operated in basically the same manner but there are some differences. The maximum amount of basic coverage available under any of these programs is \$10,000. However, under the NSLI, VRI and VSLI programs, policyholders can purchase additional protection by electing to use their dividends to buy paid-up additional insurance. The SDVI program is unique in that it insures veterans with service connected disabilities at standard premium rates and, therefore, requires an annual subsidy from the Veterans Insurance and Indemnities appropriation. Each program, excluding SDVI, participates in the distribution of annual dividends. Under each of these programs, except USGLI, waiver of premium protection is offered in the event of total disability at no additional cost. For an additional premium, total disability income provision policy riders are available under all of these programs except SDVI. USGLI policies contain a special provision whereby, in the event of total permanent disability, the policy may be matured and the insured receives the proceeds in monthly installments.

United States Government Life Insurance (USGLI)

The United States Government Life Insurance trust fund was established in 1919 to receive premiums and pay claims on insurance converted from the War risk term insurance of World War I.^{1/}

National Service Life Insurance (NSLI)

The National Service Life Insurance trust fund was established in 1940 to serve the insurance needs of World War II service personnel and veterans. Issuance of new policies ended in 1951. The trust fund is sustained through premium collections and interest on investments. This is the largest Government administered insurance program.^{1/}

ServiceDisabled Veterans Insurance (SDVI)

The Service-Disabled Veterans Insurance fund is the only VA administered insurance program remaining open to new issues. It was designed as an insurance program for veterans with a service connected disability and provides coverage at standard rates. These individuals might not otherwise be insurable at standard rates due to their disabilities.

Since the fund insures the disabled at standard premium rates, it is not self sustaining. Periodic payments from the Veterans Insurance and Indemnities appropriation are required to meet current expenditures.

Veterans' Reopened Insurance (VRI)

The Veterans Reopened Insurance fund was established on May 1, 1965 and closed on May 2, 1966. It offered veterans, who served between October 8, 1940 and January 1, 1957, the opportunity to obtain permanent life insurance coverage. This coverage was extended only to individuals with service connected or non-service connected disabilities who were either uninsurable or who could not qualify for standard rates and were not on active duty at the date of issue of the policy.

Veterans' Special Life Insurance (VSLI)

The Veterans Special Life Insurance trust revolving fund was made available for the payment of claims for the insurance program authorized for insurable veterans who served in the Armed Forces after April 24, 1951 and up to January 1, 1957.^{1/}

Servicemembers' Group Life Insurance (SGLI)

Formerly known as the Servicemen's Group Life Insurance fund, Public Law 104-275 renamed it the Servicemembers' Group Life Insurance fund, effective October 1, 1996. This fund provides insurance coverage for military personnel, reservists, members of the National Guard, Service Academy cadets and midshipmen, and certain ROTC students. Effective April 1, 2001, Public Law 106-419 increased the level of coverage to \$250,000. P.L 107-14 extended coverage to spouses and children of insured members effective November 1, 2001. The SGLI premium rate decreased to \$.065 per month per thousand of insurance coverage from \$.08 per month per thousand. VA supervises this program. Prudential Insurance Company of America administers it. The fund is entirely self-supporting, except for any costs resulting from excess mortality traceable to the extra hazard of duty in the armed services. It also reimburses the General Operating Expenses appropriation for VA's supervisory expenses.

^{1/} Authority for the payment of administrative expenses out of excess earnings in these funds is contained in the appropriations bill. This budget assumes that the payment from excess earnings will continue.

Summary of Insurance Programs 2006

(dollars in millions)

	VI&I (VMLI)	NSLI (WWII)	USGLI (WWI)	VSLI (Korean)	VRI (WWII-Korean)	SDVI (Open)	SGLI (Open)	Family SGLI (Open)	VGLI (Open)	TOTAL
Beginning Date	08/11/71	10/08/40	01/01/19	04/25/51	05/01/65	04/25/51	09/29/65	11/01/2001	8/1/74	
Closing Date	Open to New Iss.	04/24/51	04/24/51	12/31/56	05/01/66	Open to New Iss.	Open to New Iss.	Open to New Iss.	Open to New Iss.	
Lives Insured	2,470	948,161	7,601	180,111	41,177	159,605	2,436,000	2,986,000	426,989	7,188,114
Term insurance	2,470	267,950	n/a	16,270	n/a	69,430	n/a	n/a	n/a	356,120
Permanent plans	n/a	829,160	7,760	181,910	47,900	113,617	n/a	n/a	n/a	1,180,347
Tot. policies inforce	2,470	1,097,110	7,760	198,180	47,900	183,047	2,436,000	2,986,000	426,989	7,385,456
Tot. value inforce⁽¹⁾	\$169	\$12,215	\$24	\$2,404	\$448	\$1,761	\$573,103	\$116,713	\$49,301	\$756,138
Avg amt. per policy ⁽²⁾	\$68,421	\$11,134	\$3,093	\$12,130	\$9,353	\$9,620	\$235,264	\$39,087	\$115,462	
Avg age	53.9	81.2	88.3	74.6	82.1	59.1	30.2	33.7 ⁽³⁾	46.2	
Annual death rate per 1,000	46.8	71.1	133.3	29.8	78.0	35.7	1.0	0.76	4.1	

- (1) The total value of inforce includes paid-up additional insurance.
(2) The average amount of insurance is represented in whole numbers.
(3) Average age for spouses only.

Summary of Selected Highlights 2006

(dollars in thousands)

	Budget Authority (net)			Outlays (net)			Dividends		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
VI& I	\$32,017	\$44,380	\$45,907	\$31,637	\$45,583	\$45,907	0	0	0
NSLI	1,238,240	1,240,498	1,246,233	1,231,445	1,246,466	1,261,923	424,134	364,220	321,041
USGLI	7,877	7,500	6,810	9,316	9,100	8,380	1,863	1,580	1,280
VSLI				-37,141	-26,084	-12,310	84,386	80,750	77,220
VRI				17,896	23,874	25,900	15,017	13,060	11,290
SDVI				3,002	82	63	0	0	0
Total	\$1,278,134	\$1,292,378	\$1,298,950	\$1,256,155	\$1,299,021	\$1,329,863	\$525,400	\$459,610	\$410,831
SGLI				5,239	-10	-20	0	0	0
Grand Total	\$1,278,134	\$1,292,378	\$1,298,950	\$1,261,394	\$1,299,011	\$1,329,843	\$525,400	\$459,610	\$410,831

Burial

Program Description

The Department administers a range of burial programs to benefit eligible veterans and family members. The responsibility for these programs is divided between two VA organizations. Cemetery programs and most in-kind benefits are administered by the National Cemetery Administration (NCA). Most monetary benefits and the burial flags program are administered by the Veterans Benefits Administration (VBA). The mandatory funding to provide these benefits is provided by the Burial Benefits Mandatory Appropriation, while the discretionary funding to administer these benefit payments is provided through the Burial Administration Appropriation. The National Cemetery Gift Fund is a separate trust fund and uses financial donations from private donors for beautification and improvement of cemetery grounds.

The operations and maintenance portion of the Burial Administration Appropriation funds the operation of 125 national cemeteries and 33 other cemeterial installations, as well as their maintenance as national shrines. It also directly funds the costs for NCA to administer four related programs: the State Cemetery Grant program, the Headstone and Marker program, the Presidential Memorial Certificate (PMC) program and Outer Burial Receptacle (OBR) reimbursements. Also included are administrative costs of VBA related to providing burial benefits to eligible veterans. The costs of producing and mailing the PMCs are also funded from this portion of the Burial Administration Appropriation.

Making burial options available to veterans requires the development of new national cemeteries, development of additional gravesites at existing national cemeteries, and establishment and expansion of state veterans' cemeteries. New national cemetery construction, gravesite development projects, as well as national cemetery capital improvement projects, are funded from the construction portion of the Burial Administration Appropriation. The Grants for Construction of State Veterans Cemeteries portion of the Burial Administration Appropriation fund the establishment, expansion, and improvement of state veterans' cemeteries.

The Burial Benefits Mandatory Appropriation funds the actual purchase and transportation costs for headstones and markers, grave liners, and pre-placed crypts. This portion also funds the cost of burial flags and the monetary burial benefits, including burial allowances, plot allowances, and outer burial receptacle reimbursements.

Summary of Budget Request - Mandatory

The Burial Benefits requests an appropriation of \$170,577,000 in 2006. This level of funding provides burial benefits on behalf of eligible deceased veterans and eligible deceased dependents.

Burial Benefits Funding (dollars in thousands)					
	2004 Actual	2005 Budget Estimate	2005 Current Estimate	2006 Estimate	Increase(+) Decrease(-)
Burial Allowance.....	\$32,587	\$35,802	\$35,915	\$37,080	+\$1,165
Burial Plot.....	18,338	21,215	19,492	20,035	+543
Service Connected Deaths.....	21,719	28,517	27,157	27,877	+720
Burial Flags.....	16,719	22,922	18,360	18,985	+625
Headstones/Markers/ Allowances..	43,049	36,000	36,000	36,100	+100
Graveliners/OBR Reimbursements.	20,606	36,500	31,700	30,500	-1,200
Total obligations.....	\$153,018	\$180,956	\$168,624	\$170,577	+\$1,953
Budget Authority.....	\$153,018	\$180,956	\$168,624	\$170,577	+\$1,953
Outlays	\$153,018	\$180,956	\$168,624	\$170,577	+\$1,953

Burial Benefits Workloads					
	2004 Actual	2005 Budget Estimate	2005 Current Estimate	2006 Estimate	Increase(+) Decrease(-)
Burial Allowance.....	75,731	78,961	81,254	82,033	+779
Burial Plot	62,152	67,034	63,769	65,581	+1,812
Service Connected Deaths.....	13,323	13,811	13,578	13,938	+360
Burial Flags.....	499,470	498,296	540,000	542,415	+2,415
Headstones/Markers/ Allowances .	355,054	341,000	341,000	343,000	+2,000
Graveliners/OBR Reimbursements	84,381	128,564	112,648	106,038	-6,610

Summary of Budget Request - Discretionary

Appropriation Highlights (dollars in thousands)					
	2004 Actual	2005 Budget Estimate	2005 Current Estimate	2006 Estimate	Increase(+) Decrease(-)
Average Employment	1,492	1,611	1,553	1,566	+13
Administrative:					
Field Activities:					
Cemeterial Programs	\$110,150	\$113,945	\$112,802	\$118,436	+\$5,634
Memorial Programs	4,688	3,929	4,840	4,981	+141
Operations Support Center	4,734	4,980	5,544	5,723	+179
Headquarters:					
Central Office	18,699	20,291	20,281	21,228	+947
Memorial Service Networks	5,886	5,915	6,065	6,236	+171
VBA Benefits Administration	11,789	12,452	12,352	10,962	-1,390
Total Obligations.....	\$155,946	\$161,512	\$161,884	\$167,566	+\$5,682
Reimbursements (-).....	-49	-135	-135	-135	0
Recoveries (-)	-838	0	-550	0	+550
Available Balance BOY (-)	-1,667	-184	-1,247	-8	+1,239
Available Balance EOY	+1,247	+184	+8	+8	0
Recycling Revenues (-)	-22	0	-22	-22	0
Balance Expiring	+524	0	0	0	0
Withdraw Emergency Fund	0	0	+198	0	-198
Administrative Budget Authority	\$155,141	\$161,377	\$160,136	\$167,409	+\$7,273
State Cemetery Grants					
Budget Authority	\$31,811	\$32,000	\$31,744	\$32,000	+\$256
Construction					
Major Projects.....	\$56,111	\$56,000	\$55,552	\$65,300	+\$9,748
Minor Projects	22,281	25,000	25,500	25,000	-500
Budget Authority	\$78,392	\$81,000	\$81,052	\$90,300	+\$9,248
Total Budget Authority	\$265,344	\$274,377	\$272,932	\$289,709	+\$16,777
Rescission (P.L. 108-199).....	+1,575	0	0	0	0
Rescission (P.L. 108-447)	0	0	+2,195	0	-2,195
Total Appropriation ^{1/}.....	\$266,919	\$274,377	\$275,127	\$289,709	+\$14,582
Total Outlays.....	\$232,873	\$248,825	\$253,877	\$259,094	+\$5,217
<small>1/ Includes \$750 thousand from 2005 Emergency Hurricane Supplemental, P.L. 108-324.</small>					

The Burial Administration requests an appropriation of \$289,709,000 and 1,566 FTE for 2006. Of this amount, \$156,447,000 supports operations and maintenance costs of NCA, \$10,962,000 supports burial benefits processing by VBA, \$90,300,000 provides for construction funding, and \$32,000,000 supports the state cemetery grants program. This is a total increase of \$16,777,000 and 13 FTE over the 2005 enacted level.

A total of \$167,409,000 is requested for operations and maintenance costs in 2006, which includes \$10,962,000 in funding for burial processing in VBA. This represents an increase of \$7,273,000 over 2005 and supports 1,566 FTE in NCA.

Workloads continue to grow at existing cemeteries, and additional funding for 13 FTE, contract maintenance, and supplies is essential to maintain existing service levels, which is NCA's highest priority. These additional requirements, plus costs for pay raise and benefits increases for current staffing, and for general non-payroll inflation, total \$6,679,000 in 2006.

This budget contains an increase of \$393,000 for payments to support activities performed by the Office of Human Resources and Administration and the Office of Information Technology for centralized programs within the Department.

VBA's funding request for 2006 is \$10,962,000. The 2006 request for funding includes VBA burial administration costs for pay raise and inflation associated with FTE responsible for the processing and adjudication of applications for burial benefits and related fiduciary activities. The decrease in the VBA level is primarily due to an adjustment in the estimate of how funding is distributed among VBA benefit lines.

For construction, NCA requests \$90,300,000 in 2006, \$65,300,000 in major projects and \$25,000,000 in minor projects. The major construction request includes funding for land acquisition costs associated with the establishment of six new national cemeteries to serve veterans in the Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Sarasota County, Florida; and Southeastern Pennsylvania areas; and funding for the development of an annex to Fort Rosecrans National Cemetery at Miramar Marine Corps Air Station. Design funds are requested for burial expansion and improvements at Dallas-Fort Worth, Great Lakes, and Gerald B. H. Solomon Saratoga National Cemeteries. Advanced Planning Funds are also requested to conduct energy and water audits at several national cemeteries in compliance with Executive Order 13123 – Greening the Government through Efficient Energy Management.

NCA requests \$32,000,000 to fund the grants for state veterans' cemeteries in 2006. The State Veterans Cemeteries complement the national cemeteries and are a critical part of NCA's strategy for meeting objective 3.4 of ensuring that the burial needs of veterans and eligible family members are met.

National Cemetery Gift Fund

Program Description

Public Law 9343, as amended, codified in 38 U.S.C. 2407, provides authority to accept gifts and bequests for the purpose of beautifying national cemeteries, or which are determined to be beneficial to such cemeteries. Public Law 100-322, Section 346(g), not codified, provides authority to accept gifts and bequests for the purpose of the operation, maintenance, or improvement of the National Memorial Cemetery of Arizona.

Fund Highlights (dollars in thousands)					
	2004 Actual	2005		2006 Estimate	Increase(+) Decrease(-)
		Budget Estimate	Current Estimate		
Appropriation (permanent, indefinite)	\$78	\$180	\$85	\$85	\$0
Obligations	83	180	100	100	0
Outlays	51	180	100	100	0

Summary of Budget Request

The National Cemetery Gift Fund is a trust fund, which is financed from gifts and bequests from donors. No appropriation action is required.

Program Activity

Fund obligations are estimated to be \$100,000 in 2006. The fund was established and began accepting gifts and bequests as of October 1, 1989. The fund is used primarily for beautification and improvements to the cemetery grounds such as landscaping, walkways and benches. In this way, gift fund activity contributes to accomplishing our objective of ensuring that national cemeteries are shrines dedicated to preserving our nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

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